

McCULLOCH COUNTY, TEXAS

Annual Financial Report

For the Year Ended
September 30, 2016

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

Table of Contents

	<u>Exhibit No.</u>	<u>Page No.</u>
FINANCIAL SECTION		
Independent Auditor's Report		1
Management's Discussion and Analysis		3
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position	A-1	10
Statement of Activities	A-2	11
Fund Financial Statements:		
Balance Sheet – Governmental Funds	A-3	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	A-4	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	A-5	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6	15
Statement of Fiduciary Net Position – Fiduciary Fund	A-7	16
Notes to Basic Financial Statements		17
<u>Required Supplementary Information:</u>		
General Fund Budgetary Comparison Schedule	B-1	38
Road and Bridge Fund Budgetary Comparison Schedule	B-2	39
Library Fund Budgetary Comparison Schedule	B-3	40
Schedule of Changes in Net Pension Asset and Related Ratios, Texas County & District Retirement System		41
Schedule of Employer Contributions, Texas County & District Retirement System		42
Notes to Required Supplementary Information		43
<u>Combining Statements as Supplementary Information:</u>		
Nonmajor Governmental Funds – Combining Balance Sheet	C-1	45
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2	48
Combining Statement of Fiduciary Assets and Liabilities	C-3	51
OTHER SUPPLEMENTARY INFORMATION SECTION		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		53

FILED 53

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

FINANCIAL SECTION

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and
Members of the Commissioners' Court
McCulloch County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McCulloch County, Texas (the County), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

FILED

FEB 27 2017

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of Change in Net Pension Asset and Related Ratios, and Schedule of Employer Contributions on pages 3 through 9 and 37 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining nonmajor fund financial statements and combining statement of fiduciary assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and combining statement of fiduciary assets and liabilities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements and combining statement of fiduciary assets and liabilities are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
January 31, 2017

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of McCulloch County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2016. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The County's total combined net position was \$14,289,732 at September 30, 2016. Of this amount, \$7,911,809 is invested in capital assets, net of related debt, \$70,737 is restricted for debt service, and \$1,857,219 is restricted for other purposes. Unrestricted net position is \$4,449,967.
- During the year, the County's expenses were \$1,405,431 less than the \$6,043,476 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of \$2,799,025.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net position and how it has changed. Net position, the difference between the County's assets and liabilities, is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the governmental activities. Most of the County's basic services are included here, such as general administration, judicial, public safety, and facilities. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant funds, not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Commissioners' Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

FILED

FEB 27 2017

Fund Financial Statements – continued

The County has the following types of funds:

- Governmental funds - Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that help the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- Fiduciary funds - The County is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operation.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As noted earlier, net position can serve over time as a useful indicator of a government's financial position. In the case of McCulloch County, assets exceeded liabilities by \$14,289,732 at the close of the fiscal year ended September 30, 2016.

A large portion of the County's net position (55.34%) comprises capital assets (for example, land, infrastructure, and buildings), net of the outstanding debt issued to finance their acquisition. The County uses these capital assets to provide services to citizens, and consequently, the assets are not available for future spending. Although, as mentioned, the County's investment in capital assets is reported net of related debt, it should be noted that the resources to re-pay this debt must be provided from other sources since the capital assets themselves cannot be used to do so. Total restricted net position is \$1,927,956 of which \$70,737 is restricted for repaying long term debt, \$1,679 is restricted for CETRZ grant road projects, \$234,708 is restricted for permanent improvement projects, \$68,898 is restricted for special ad valorem road projects, \$986,130 is restricted for the library, \$34,567 is restricted for the law library, \$1,601 is restricted for hot check reimbursement, \$127,207 is restricted for specially designated road repair projects, \$106,192 is restricted for archive fees, \$6,365 is restricted for court records preservation, \$46,227 is restricted for covering courthouse security cost, \$26,282 is restricted for pre-trial diversion programs, \$101,210 is restricted for records management, \$19,970 is restricted for restoration and preservation of County property, \$38,337 is restricted for County technology fees, \$3,651 is restricted for County video fees, \$18,000 is restricted for dam maintenance, \$8,586 is restricted for probate training, \$1,759 is restricted for a salary supplement excess for the county judge received from the state, and \$25,850 is restricted for renting voting equipment. The remaining balance of net position, \$4,449,967, is unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE – continued

	Governmental Activities	
	2016	2015
Current assets		
Cash and cash equivalents	\$ 3,716,764	\$ 3,241,523
Investments	460,000	460,000
Prepaid expenses	66,170	69,746
Receivables (net of allowance for uncollectibles)		
Taxes	80,303	102,479
Fines, fees, and court costs	699,824	506,148
Other	44,095	41,795
Net pension asset (proportionate share)	39,278	394,661
Total current assets	5,106,434	4,816,352
Noncurrent assets		
Land	200,615	200,615
Construction in progress	19,434	-
Infrastructure	1,928,955	1,881,265
Buildings and improvements	8,093,299	8,093,299
Furniture and equipment	2,250,849	1,929,375
Vehicles	376,144	348,995
Less: accumulated depreciation	(3,366,148)	(2,891,749)
Restricted assets:		
Cash and cash equivalents	1,116,236	115,000
Total noncurrent assets	10,619,384	9,676,800
Total assets	15,725,818	14,493,152
Deferred outflows of resources - pension	517,469	171,553
Total assets and deferred outflows of resources	\$ 16,243,287	\$ 14,664,705
Current liabilities		
Accounts payable and other current liabilities	\$ 75,629	\$ 75,238
Payroll liabilities	15,684	17,287
Accrued interest payable	18,602	19,275
Due to other governments	181,955	131,599
Total current liabilities	291,870	243,399
Noncurrent liabilities		
Due within one year	291,788	245,388
Due in more than one year	1,314,675	1,291,617
Total noncurrent liabilities	1,606,463	1,537,005
Total liabilities	1,898,333	1,780,404
Deferred inflows of resources - pension	55,222	-
Net position		
Net investment in capital assets	7,911,809	8,044,165
Restricted	1,927,956	859,987
Unrestricted	4,449,967	3,980,149
Total net position	14,289,732	12,884,301
Total liabilities, deferred inflows of resources and net position	\$ 16,243,287	\$ 14,664,705

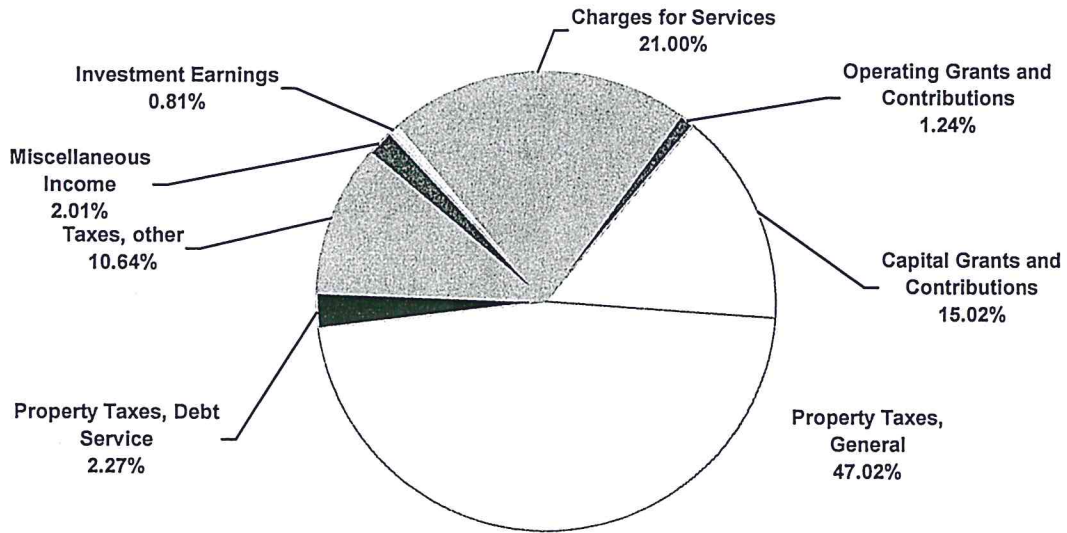
FILED

FEB 27 2017

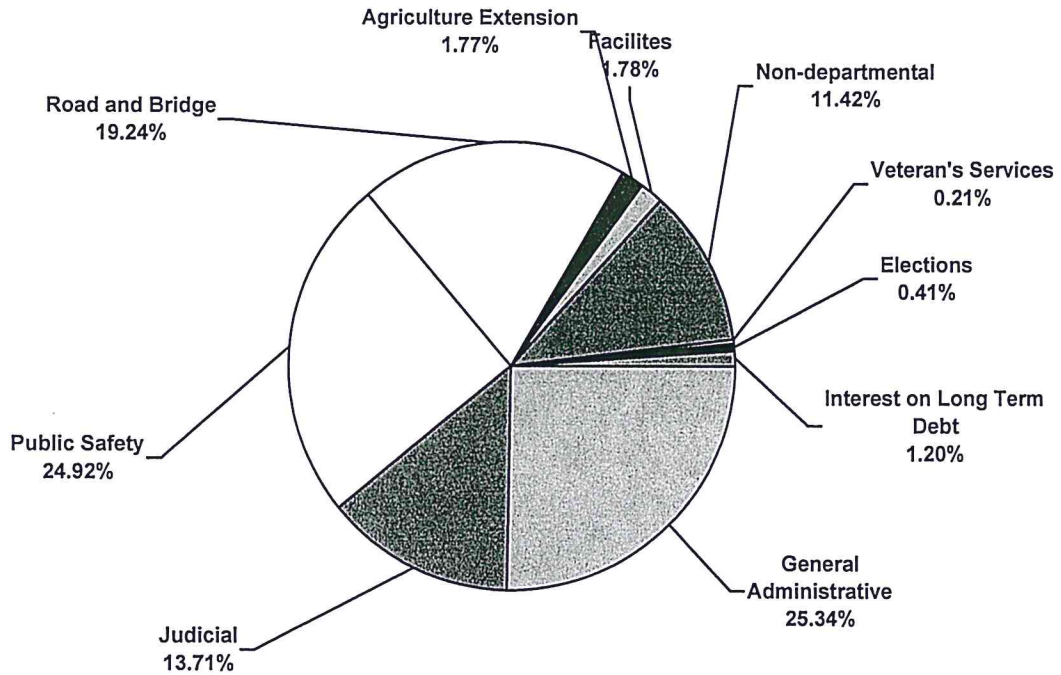
FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE – continued

The County’s net position increased by \$1,405,431. Since the County presently engages in no business-type activities, governmental activities account for all of the changes in net position at the government-wide reporting level.

Governmental Activities: The County’s total revenues were \$6,043,476. A significant portion, 47.01%, of the County’s revenue comes from property taxes. 21.00% comes from charges for services, and 16.25% comes from operating and capital grants and contributions.



The total cost of all County programs and services was \$4,638,045. 13.7% of these costs are for judicial services, 25.0% are for public safety, and 19.2% are for public transportation.



FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE – continued

	Governmental Activities	
	2016	2015
Program revenues:		
Charges for services	\$ 1,269,183	\$ 704,783
Operating grants and contributions	74,797	112,407
Capital grants and contributions	907,294	412,948
General revenues:		
Property taxes, levied for general purposes	2,841,109	2,515,241
Property taxes, levied for debt service	136,995	120,405
Taxes, other	642,854	690,578
Miscellaneous income	121,182	99,053
Investment income	48,954	41,317
Gain on disposal of assets	1,108	51,496
Total revenues	6,043,476	4,748,228
Expenses:		
General administrative	1,175,374	1,149,598
Judicial	635,801	519,746
Public safety	1,155,587	1,027,996
Road and bridge	892,199	836,661
Ag extension	82,034	78,691
Facilities	82,632	88,131
Non-departmental	529,656	434,140
Veteran's service office	9,891	10,271
Elections	19,037	30,954
Debt service - interest on long-term debt	55,834	53,099
Total expenses	4,638,045	4,229,287
Change in net position	1,405,431	518,941
Beginning balance, net position	12,884,301	12,365,360
Ending balance, net position	\$ 14,289,732	\$ 12,884,301

The cost of each of the County's largest functions includes:

- The cost of all governmental activities this year was \$4,638,045.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$2,978,104.
- Some of the cost was paid by those who directly benefited from the programs (\$1,269,183) or by grants and contributions (\$982,091).

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, McCulloch County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The general governmental functions are reported in the general, capital projects, debt service, and special revenue funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's annual financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$5,358,980, an increase of \$1,457,919 in comparison with the prior year. The cause of this increase in fund balances was due to expending less money than produced through revenue activities, as well as a large private donation from an estate to the Library fund. Of the total ending fund balances, \$2,732,855 constitutes unassigned fund balance, \$66,170 constitutes nonspendable fund balance, \$633,802 constitutes assigned fund balance, and \$1,926,153 constitutes restricted fund balance. Unassigned fund balance is available for spending at the County's discretion, assigned fund balance represents amounts that may only be used for special revenue fund purposes, committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by the Commissioners' Court, and restricted fund balance represents amounts that can be used only for the specific purposes of debt service, permanent improvements, and special road projects.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,732,855. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 81.18% of total general fund expenditures, and the total fund balance also represents 83.14% of that same amount.

The fund balance of the County's general fund increased by \$313,693 during the current fiscal year. Key factors in this growth are as follows:

- Expending less money than produced through revenue activities.
- Increased taxes due to property value increases

General Fund Budgetary Highlights

The County budget is prepared in accordance with accounting principles generally accepted in the United States. The budget is prepared by the County Judge and approved by the Commissioners' Court. The approved budget is used as a management control device during the year, and appropriations are set at the expenditure type level. Budgetary transfers between expenditure types must be approved by the Commissioners' Court.

During the year, revenues were less than budgetary estimates and expenditures were less than budgetary estimates. Major variances include:

- Fines and fees were less than budget by 9.72% (\$55,148).
- Miscellaneous income was less than budget by 41.42% (\$75,737)
- Total general fund expenditures were 94.37% of the amended budget.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. At the end of 2016, the County had invested \$9,503,148 in a broad range of capital assets, including land, equipment, buildings, and vehicles. More detailed information about the County’s capital assets is presented in Note 4 to the financial statements on page 25.

	Governmental Activities	
	2016	2015
Land	\$ 200,615	\$ 200,615
Construction in progress	19,434	-
Infrastructure	1,928,955	1,881,265
Buildings and improvements	8,093,299	8,093,299
Furniture and equipment	2,250,849	1,929,375
Vehicles	376,144	348,995
Total at historical cost	<u>12,869,296</u>	<u>12,453,549</u>
Total accumulated depreciation	<u>(3,366,148)</u>	<u>(2,891,749)</u>
Net capital assets	<u>\$ 9,503,148</u>	<u>\$ 9,561,800</u>

LONG-TERM DEBT

Long-Term Debt. At year-end, the County had \$1,606,463 in notes payable, capital leases, compensated absences, and bonds payable outstanding, as shown in the table below. More detailed information about the County’s debt is presented in Note 7 to the financial statements on pages 26 through 29.

	Governmental Activities	
	2016	2015
Notes payable	\$ 394,593	\$ 401,901
Capital lease payable	376,746	195,734
Compensated absences	15,124	19,370
Bonds payable	<u>820,000</u>	<u>920,000</u>
Total long-term debt	<u>\$ 1,606,463</u>	<u>\$ 1,537,005</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The County should maintain its financial health during the 2017 fiscal year. Taxable values for the County have increased, and budgeted expenditures for next fiscal year are approximately the same as they were for the 2016 fiscal year.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County’s finances and to demonstrate the County’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Treasurer’s Office at: County Treasurer, 199 Courthouse Square RM 301, Brady, Texas 76825.

FILED

FEB 27 2017

Tina A. Smith
McCullesh County Clerk

BASIC FINANCIAL STATEMENTS

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Statement of Net Position
September 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,716,764
Investments	460,000
Prepaid expenses	66,170
Receivables (net of allowances)	
Taxes	80,303
Fines and fees	699,824
Other	44,095
Net pension asset	39,278
Capital assets (net of accumulated depreciation)	9,503,148
Restricted assets:	
Pooled cash and cash equivalents	1,116,236
Total assets	15,725,818
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	517,469
Total assets and deferred outflows of resources	16,243,287
LIABILITIES	
Accounts payable and other current liabilities	75,629
Payroll liabilities	15,684
Accrued interest payable	18,602
Due to other governments	181,955
Noncurrent liabilities	
Due within one year	291,788
Due in more than one year	1,314,675
Total liabilities	1,898,333
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	55,222
Total liabilities and deferred inflows of resources	1,953,555
NET POSITION	
Net investment in capital assets	7,911,809
Restricted for long term debt	70,737
Restricted for other purposes	1,857,219
Unrestricted	4,449,967
Total net position	\$ 14,289,732

The accompanying notes are an integral part of the financial statements.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Statement of Activities
For the Year Ended September 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
PRIMARY GOVERNMENT			
Governmental activities			
General administrative	\$ 1,175,374	\$ 302,208	\$ 74,797
Judicial	635,801	431,116	-
Public safety	1,155,587	25,059	-
Road and bridge	892,199	510,800	-
Ag extension	82,034	-	-
Facilities	82,632	-	-
Non-departmental	529,656	-	-
Veteran's service office	9,891	-	-
Elections	19,037	-	-
Debt service - interest on long-term debt	55,834	-	-
Total governmental activities	<u>4,638,045</u>	<u>1,269,183</u>	<u>74,797</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,638,045</u>	<u>\$ 1,269,183</u>	<u>\$ 74,797</u>

General revenues:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Taxes, other
Miscellaneous income
Investment income
Gain on retirement of assets
Total general revenues

CHANGE IN NET POSITION

NET POSITION AT BEGINNING OF YEAR

NET POSITION AT END OF YEAR

The accompanying notes are an integral part of the financial statements.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Government	
	Governmental Activities	Total
\$ 907,294	\$ 108,925	\$ 108,925
-	(204,685)	(204,685)
-	(1,130,528)	(1,130,528)
-	(381,399)	(381,399)
-	(82,034)	(82,034)
-	(82,632)	(82,632)
-	(529,656)	(529,656)
-	(9,891)	(9,891)
-	(19,037)	(19,037)
-	(55,834)	(55,834)
<u>907,294</u>	<u>(2,386,771)</u>	<u>(2,386,771)</u>
<u>\$ 907,294</u>	<u>(2,386,771)</u>	<u>(2,386,771)</u>
	2,841,109	2,841,109
	136,995	136,995
	642,854	642,854
	121,182	121,182
	48,954	48,954
	1,108	1,108
	<u>3,792,202</u>	<u>3,792,202</u>
	1,405,431	1,405,431
	<u>12,884,301</u>	<u>12,884,301</u>
\$	<u>14,289,732</u>	<u>\$ 14,289,732</u>

FILED

FEB 27 2017

McCULLOCH COUNTY, TEXAS

Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	Road and Bridge Fund	Library Fund
ASSETS			
Cash and cash equivalents	\$ 2,322,202	\$ 568,725	\$ -
Investments	400,000	60,000	-
Prepaid expenses	66,170	-	-
Receivables (net of allowances)			
Taxes	78,500	-	-
Fines and fees	699,824	-	-
Other	27,183	15,569	407
Restricted Assets			
Cash and cash equivalents	-	-	989,736
Total assets	\$ 3,593,879	\$ 644,294	\$ 990,143
LIABILITIES			
Accounts payable and other current liabilities	\$ 52,146	\$ 8,049	\$ 3,334
Payroll related liabilities	11,412	3,593	679
Due to other governments	181,955	-	-
Total liabilities	245,513	11,642	4,013
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	31,472	-	-
Unavailable revenue - fines and fees	517,869	-	-
Total deferred inflows of resources	549,341	-	-
FUND BALANCES			
Nonspendable fund balance:			
Prepaid items	66,170	-	-
Restricted fund balance:			
Debt service	-	-	-
Other restricted fund balance	-	-	986,130
Assigned fund balance:			
Road and bridge	-	632,652	-
Other assigned fund balance	-	-	-
Unassigned fund balance	2,732,855	-	-
Total fund balances	2,799,025	632,652	986,130
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,593,879	\$ 644,294	\$ 990,143

FILED

FEB 27 2017

The accompanying notes are an integral part of the financial statements.

Tina A. Smith
McCulloch County Clerk

<u>Nonmajor</u>		<u>Total</u>	
<u>Governmental</u>		<u>Governmental</u>	
<u>Funds</u>		<u>Funds</u>	
\$	825,837	\$	3,716,764
	-		460,000
	-		66,170
	1,803		80,303
	-		699,824
	936		44,095
	<u>126,500</u>		<u>1,116,236</u>
\$	<u>955,076</u>	\$	<u>6,183,392</u>
\$	12,100	\$	75,629
	-		15,684
	-		181,955
	<u>12,100</u>		<u>273,268</u>
	1,803		33,275
	-		517,869
	<u>1,803</u>		<u>551,144</u>
	-		66,170
	68,934		68,934
	871,089		1,857,219
	-		632,652
	1,150		1,150
	-		2,732,855
	<u>941,173</u>		<u>5,358,980</u>
\$	<u>955,076</u>	\$	<u>6,183,392</u>

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 September 30, 2016

Total Fund Balances - Governmental Funds Balance Sheet		\$ 5,358,980
<p>Amounts reported for governmental activities in the statement of net position (A-1) are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net position.</p>		
Governmental capital assets	\$ 12,869,296	
Accumulated depreciation	(3,366,148)	9,503,148
<p>Certain assets, such as property taxes receivable and imposed fines receivable, are not available to pay for current-period expenditures and are not recognized as revenue in the governmental funds. Deferred inflows of resources recognized in the government-wide financial statements results in a net increase to net position.</p>		
		551,144
<p>Long-term liabilities, including bonds payable and compensated absences and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the governmental funds. The net effect is a decrease in net position.</p>		
		(1,606,463)
<p>Payables for bond interest which are not due in the current period are not reported in the funds. The net effect is a decrease in net position.</p>		
		(18,602)
<p>Included in the items related to debt is the recognition of the County's net pension asset in the amount of \$39,278, a deferred outflow of resources of \$517,469, and a deferred inflow of resources of \$55,222. The net effect is to increase net position</p>		
		501,525
Net Position of Governmental Activities - Statement of Net Position		\$ 14,289,732

The accompanying notes are an integral part of the financial statements.

FILED
 FEB 27 2017
 Tina A. Smith
 McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2016

	General Fund	Road and Bridge Fund	Library Fund
REVENUES			
Property taxes	\$ 2,826,921	\$ -	\$ -
Other taxes	642,854	-	-
Fines and fees	512,454	510,800	4,271
Intergovernmental, grants, and contributions	60,874	-	921,217
Investment earnings	23,581	4,601	5,969
Miscellaneous	107,105	2,314	-
Total revenues	4,173,789	517,715	931,457
EXPENDITURES			
Current:			
General administrative	804,572	-	142,679
Judicial	617,115	-	-
Public safety	1,077,153	-	-
Road and Bridge	-	640,542	-
Agriculture extension service	80,891	-	-
Facilities	82,632	-	-
Non-departmental	514,022	-	-
Veteran's service office	9,891	-	-
Elections	19,037	-	-
Debt service:			
Principal	53,285	70,361	-
Interest and fiscal charges	4,570	17,005	-
Capital outlay	103,397	312,350	-
Total expenditures	3,366,565	1,040,258	142,679
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	807,224	(522,543)	788,778
OTHER FINANCING SOURCES (USES)			
Loan/capital lease proceeds	-	297,350	-
Sale of property	1,108	-	-
Transfers in (out)	(494,639)	302,103	134,359
Total other financing sources (uses)	(493,531)	599,453	134,359
NET CHANGE IN FUND BALANCES	313,693	76,910	923,137
FUND BALANCES AT BEGINNING OF YEAR	2,485,332	555,742	62,993
FUND BALANCES AT END OF YEAR	\$ 2,799,025	\$ 632,652	\$ 986,130

The accompanying notes are an integral part of the financial statements.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

<u>Nonmajor Governmental Funds</u>		<u>Total Governmental Funds</u>	
\$	154,865	\$	2,981,786
	-		642,854
	98,816		1,126,341
	-		982,091
	14,803		48,954
	10,746		120,165
	<u>279,230</u>		<u>5,902,191</u>
	58,296		1,005,547
	-		617,115
	-		1,077,153
	-		640,542
	-		80,891
	-		82,632
	-		514,022
	-		9,891
	-		19,037
	100,000		223,646
	34,932		56,507
	-		415,747
	<u>193,228</u>		<u>4,742,730</u>
	<u>86,002</u>		<u>1,159,461</u>
	-		297,350
	-		1,108
	<u>58,177</u>		-
	<u>58,177</u>		<u>298,458</u>
	144,179		1,457,919
	<u>796,994</u>		<u>3,901,061</u>
\$	<u><u>941,173</u></u>	\$	<u><u>5,358,980</u></u>

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$ 1,457,919
Amounts reported for governmental activities in the statement of activities (A-2) are different because:	
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	415,747
Depreciation expense is not reflected in the governmental funds but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of recording current year depreciation expense is to decrease net position.	(474,399)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year decrease in revenue recognized in the government-wide financial statements results in an increase in net position.	139,638
Current year long-term debt principal payments on long-term debt are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. This results in an increase in net position.	223,646
The net decrease in compensated absences payable is a increase to net position.	4,246
Governmental funds report the effect of bond proceeds and issuance of other long-term debt, including capital leases, when debt is first issued. These amounts are deferred and amortized in the statement of activities which results in a decrease in net position.	(297,350)
The net decrease in accrued interest payable of \$673 increases net position.	673
Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase in the amount of \$78,358. The County's share of the unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's proportionate share of the pension expense must be recognized. These cause the change in net position to decrease in the amount of \$143,047. The net effect is a decrease in net position.	(64,689)
Change in Net Position of Governmental Activities - Statement of Activities	\$ 1,405,431

The accompanying notes are an integral part of the financial statements.

FILED

FEB 27 2017

Tina A. Smith
 McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Statement of Fiduciary Net Position - Fiduciary Funds
September 30, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 426,123
Accounts receivable	13,198
Total assets	\$ 439,321
LIABILITIES	
Accounts Payable	\$ 63,037
Due to others	376,284
Total liabilities	\$ 439,321

The accompanying notes are an integral part of the financial statements.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 1: Summary of Significant Accounting Policies

The financial statements of McCulloch County, Texas (the County) included in the accompanying basic financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the County's basic financial statements.

A. Reporting Entity

The County is a public Corporation and political subdivision of the State of Texas. The Commissioners' Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general administration, tax and recording (e.g. tax collection), judicial (courts, juries, etc.), legal (County attorney, county attorney, etc.), public safety (sheriff, jail, etc.), and transportation.

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

1. the organization is legally separate (can sue and be sued in its name)
2. the County holds the corporate powers of the organization
3. the County appoints a voting majority of the organization's board
4. the County is able to impose its will on the organization
5. the organization has the potential to impose a financial benefit/burden on the County
6. there is fiscal dependency by the organization on the County
7. the exclusion of the organization would result in misleading or incomplete financial statements

The County also evaluated each legally separate tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units, or its constituents, 2) the County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization, and 3) such economic resources are significant to the County.

Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

- **Basis of Presentation**

Government-wide financial statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses in the statement of activities.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS

Notes to Basic Financial Statements

September 30, 2016

Note 1: Summary of Significant Accounting Policies - continued

Program revenues include: (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements: The fund financial statements provide information about the County's funds with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds with each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary funds operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The County reports the following major governmental funds:

General fund: This is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund.

Road and bridge fund: This fund accounts for financial resources to be used in the operations of the four county precincts.

Library fund: This fund accounts for the proceeds of specific revenue sources that are restricted or committed to expenditure for the library.

In addition, the County reports the following nonmajor governmental funds:

Special revenue funds: These funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service fund: This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Permanent improvement fund: This fund accounts for financial resources to be used for the acquisition or construction of road and bridge projects.

- Fiduciary Fund Types:

Agency funds: These funds are used to report funds of the County's fee offices and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Fees are generated and retained by the fee offices until notification is received to disburse funds to the proper individual or entity. Fees generated include fines, restitution, bail bond deposits, and inmate trust funds.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because the assets are held in a trustee or agent capacity and are, therefore, not available to support County programs, these funds are not included in the government-wide statements.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 1: Summary of Significant Accounting Policies - continued

- Measurement Focus and Basis of Accounting

Government-wide, proprietary, and fiduciary fund financial statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property taxes revenue and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available at that time. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the County incurs expenditures or expenses for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

C. Assets, Liabilities, and Net Position or Equity

- Cash and Cash Equivalents

The County considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

- Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. The appraisal of property within the County is the responsibility of the McCulloch County Appraisal County as required by legislation passed by the Texas Legislature. The Appraisal County is required under such legislation to assess all property with the County on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The assessed value upon which the fiscal 2015-2016 levy was based was approximately \$580,308,852. The combined tax rate to finance general governmental services, including debt service, for the year ended September 30, 2016 was \$0.4862 per \$100 of assessed valuation.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS

Notes to Basic Financial Statements

September 30, 2016

Note 1: Summary of Significant Accounting Policies - continued

Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available 1) when they become due or past due and receivable within the current period and 2) when they are expected to be collected during a 60-day period after the close of the fiscal year. Current tax collections for the year were 99.91% of the tax levy.

Allowances for uncollectible tax receivables within the general and debt service funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

• Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. A capitalization threshold of \$7,500 is used.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and Improvements	20-50
Infrastructure	5-50
Vehicles	5
Equipment	2-15

• Receivables and Payable Balances

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue.

The County expects that the following receivables will not be collected within one year:

Property taxes	\$ 33,275
Fines and fees	517,869
	<u>\$ 551,144</u>

FILED

FEB 27 2017

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 1: Summary of Significant Accounting Policies - continued

- **Compensated Absences**

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

1. Leave or compensation is attributable to services already rendered
2. Leave or compensation is not contingent on a specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued as long-term debt in the government-wide statements.

Upon termination from County employment, an employee shall be entitled to payment for total accrued but unused days of vacation not accumulated beyond 80 hours. Comp time earned, but not taken, is paid at termination. Unused sick leave is not paid at termination.

- **Pensions**

The fiduciary net position of the Texas County County Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

- **Interfund Activity**

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

- **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 1: Summary of Significant Accounting Policies - continued

- Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

- Deferred Inflows of Resources

The County reports deferred inflows of resources on its governmental funds balance sheet. Deferred inflows of resources arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred inflows of resources also arise when resources are received by the County before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the balance of deferred inflows of resources is removed from the balance sheet and revenue is recognized.

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has deferred outflows of resources for the difference between projected and actual earnings for its pension plan and contributions made to the pension plan after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows of resources for the differences between expected and actual experience related to its pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Fair Value Measurements

The County adopted GASB Statement No. 72, Fair Value Measurement and Application, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

FILED

FEB 27 2017

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 1: Summary of Significant Accounting Policies - continued

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Implementation of GASB Statement No. 72 did not have a significant impact on the County's financial statements for the year ended September 30, 2016.

Note 2: Restricted Assets

Restricted cash and cash equivalents consisted of the following at September 30, 2016:

<u>Description</u>	<u>Amount</u>
Library donations	\$ 989,736
Special Road Repairs Precinct 1 & 3	126,500
Total	<u>\$ 1,116,236</u>

Note 3: Deposits and Investments

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

A. Cash Deposits:

The County's cash deposits at September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the County's bank in the County's name.

On February 1, 2011, the County placed \$100,000 with West Texas Rural Counties Association (WTRCA) in the Designated Member Equity Fund. An additional \$5,000 and \$10,000 was deposited in May 2014 and April 2015, respectively, with an additional \$11,500 deposited March 2016, bringing the total to \$126,500. The funds remain the property of McCulloch County and are subject to the Designated Member Equity Fund Regulations established by the Board of Directors. Monies on deposit in this fund are designated member equity in a self-insurance pool, as allowed by statute. Monies on deposit in this fund are not an investment. An annual dividend of 10% was approved for McCulloch County on this equity fund for the current fiscal year by the WTRCA Board of Directors. Withdrawals of Designated Member Equity can be made with twelve (12) months written notice, or with WTRCA Board of Directors approval in the event of a financial emergency within the Member County.

FILED

FEB 27 2017

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 3: Deposits and Investments - continued

B. Investments:

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield and maturity, and the quality and capability of investment management, include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (the Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies and that the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, obligations of the U.S. Treasury, certain U.S. agencies and the State of Texas, certificates of deposit, certain municipal securities, money market savings accounts, repurchasing agreements, bankers acceptance, mutual funds, investment pools, guaranteed investment contracts, and common trust funds.

The County's investments at September 30, 2016 are shown below.

Investment or Investment Type	Maturity	Fair Value
Certificates of Deposit	less than one year	\$ <u>460,000</u>
Total investment pools		\$ <u><u>460,000</u></u>

C. Interest Rate Risk

In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the weighted average maturity of its investment portfolio to less than 365 days.

D. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. County policy limits investments in public funds investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

E. Concentration of Credit Risk

The County's investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from overconcentration of assets in a specific class of investments, specific maturity, or specific issuer.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 3: Deposits and Investments - continued

F. Investment Accounting Policy

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Note 4: Receivables

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental				Total Governmental Funds
	General Fund	Road and Bridge Funds	Library Fund	Other Governmental Funds	
Receivables					
Taxes					
Property	\$ 71,559	\$ -	\$ -	\$ 3,582	\$ 75,141
Sales	47,028	-	-	-	47,028
Fines and fees	2,332,747	-	-	-	2,332,747
Other receivables	27,183	15,569	407	936	44,095
Total gross receivables	<u>2,478,517</u>	<u>15,569</u>	<u>407</u>	<u>4,518</u>	<u>2,499,011</u>
Less: Allowance for uncollectibles					
Taxes	(40,087)			(1,779)	(41,866)
Fines and fees	<u>(1,632,923)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,632,923)</u>
Net total receivables	<u>\$ 805,507</u>	<u>\$ 15,569</u>	<u>\$ 407</u>	<u>\$ 2,739</u>	<u>\$ 824,222</u>

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 5: Capital Assets

Capital asset activity for the period ended September 30, 2016 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 200,615	\$ -	\$ -	\$ 200,615
Consturction in progress - jail	<u>-</u>	<u>19,434</u>	<u>\$ -</u>	<u>19,434</u>
Total capital assets not being depreciated	200,615	19,434	-	220,049
Capital assets being depreciated				
Infrastructure	1,881,265	47,690	-	1,928,955
Buildings and improvements	8,093,299	-	-	8,093,299
Furniture and equipment	1,929,375	321,474	-	2,250,849
Vehicles	<u>348,995</u>	<u>27,149</u>	<u>-</u>	<u>376,144</u>
Total capital assets being depreciated	12,252,934	396,313	-	12,649,247
Less accumulated depreciation for:				
Infrastructure	(174,272)	(96,249)	-	(270,521)
Buildings and improvements	(1,569,019)	(163,982)	-	(1,733,001)
Furniture and equipment	(997,736)	(156,777)	-	(1,154,513)
Vehicles	<u>(150,722)</u>	<u>(57,391)</u>	<u>-</u>	<u>(208,113)</u>
Total accumulated depreciation	(2,891,749)	(474,399)	-	(3,366,148)
Total capital assets being depreciated, net	<u>9,361,185</u>	<u>(78,086)</u>	<u>-</u>	<u>9,283,099</u>
Governmental activities capital assets, net	<u>\$ 9,561,800</u>	<u>\$ (58,652)</u>	<u>\$ -</u>	<u>\$ 9,503,148</u>

Amortization expense on assets under capital lease is included in depreciation expense. Depreciation was charged to functions as follows:

General administrative	\$ 167,363.00
Public safety	55,510.00
Road and Bridge	238,381.00
Library	9,170.00
Miscellaneous	<u>3,975.00</u>
Total depreciation expense	<u>\$ 474,399</u>

FILED

FEB 27 2017

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 6: Interfund Balances and Activity

A. Due to and from Other Funds

Balances to and from other funds at September 30, 2016, consisted of the following:

No due to and from other fund balances.

B. Transfers to and from Other Funds

Transfers to and from other funds during year ended September 30, 2016, consisted of the following:

<u>Transfers from</u>	<u>Transfers to</u>	<u>Amount</u>	<u>Purpose</u>
General fund	Road and bridge funds	\$ 302,103	Transfer tax revenue allocated to and supplement other funds
General fund	Nonmajor governmental funds	56,538	Transfer tax revenue allocated to other funds
General fund	Library fund	134,359	Supplement other funds
General fund	Nonmajor governmental funds	<u>1,639</u>	Supplement other funds
	Total	<u>\$ 494,639</u>	

Note 7: Lease Commitments

The County has several operating lease obligations as of September 30, 2016 for copiers leased for the District Clerk, County Clerk, Sheriff's office, Justice of the Peace, and a copier split between the Treasurer and Judge. These lease obligations have been recorded in the General Fund. The County's future minimum lease commitments on these operating leases are shown as follows:

<u>Year Ending September 30</u>		
2017	\$	4,334
2018		4,334
2019		<u>3,341</u>
Total	\$	<u>12,009</u>

The County also rents a copier for the Library and Courtroom. These rentals are on a month to month basis with no rental commitment.

Note 8: Long-Term Obligations

The County's long-term debt consists of general obligation certificates of obligations, notes payable, and capital leases. Other long-term obligations consist of the accrued liability for employee vested compensated absences.

A. Certificates of Obligation, Series 2008

On May 1, 2008, the County issued the McCulloch County Certificates of Obligation, Series 2008 in the amount of \$1,525,000 for restoration of the McCulloch County Courthouse. Principal amounts on these certificates are due and payable annually beginning June 1, 2009. Interest is due and payable semi-annually beginning December 1, 2008 at a rate of 3.797%. These certificates will be paid in full on June 1, 2023.

FILED

FEB 27 2017

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 8: Long-Term Obligations - continued

Annual debt service requirements to maturity for bond payable are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 105,000	\$ 31,134	\$ 136,134
2018	110,000	27,148	137,148
2019	115,000	22,972	137,972
2020	115,000	18,606	133,606
2021	120,000	14,238	134,238
2022-2023	255,000	14,618	269,618
Totals	\$ 820,000	\$ 128,716	\$ 948,716

B. Notes Payable

On August 4, 2011, the County entered into a note agreement with Commercial National Bank of Brady, TX in the amount of \$117,022 at an annual interest rate of 4.70% for a period of 5 years for the purpose of purchasing a tractor and rock crusher. Payments are due annually at an amount of \$26,151 with a final maturity in fiscal year 2017.

On October 23, 2014, the County entered into a note agreement with Caterpillar Financial Services Corporation in the amount of \$169,465 at an annual interest rate of 2.7% for a period of five years for the purpose of purchasing a Caterpillar 140M3 ARO motor grader. Payments are due annually at an amount of \$17,500 with a final balloon payment of 82,624 for a maturity in fiscal year 2020.

On October 27, 2014, the County entered into a note agreement with Government Capital Corporation in the amount of \$63,132 at an annual interest rate of 3.438% for a period of three years for the purpose of purchasing vehicles for the Sheriff's office. Payments are due annually at an amount of \$22,491 with a final maturity in fiscal year 2018.

On October 30, 2014, the County entered into a note agreement with Caterpillar Financial Services Corporation in the amount of \$151,601 at an annual interest rate of 2.7% for a period of five years for the purpose of purchasing a Caterpillar 140M3 ARO motor grader. Payments are due annually at an amount of \$21,645 with a final balloon payment of 97,762 for a maturity in fiscal year 2020.

On February 3, 2016, the County entered into a note agreement with Commercial National Bank of Brady, TX in the amount of \$48,540 at an annual interest rate of 4.50% for a period of 2 years for the purpose of purchasing a compacting machine. Payments are due annually at an amount of \$25,960 with a final maturity in fiscal year 2018.

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 96,912	\$ 11,303	\$ 108,215
2018	74,713	6,798	81,511
2019	29,036	5,572	34,608
2020	193,932	3,185	197,117
Totals	\$ 394,593	\$ 26,858	\$ 421,451

FILED

FEB 27 2017

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 8: Long-Term Obligations - continued

C. Capital Leases

On February 1, 2013, the County entered into a long-term capital lease agreement with Welsh State Bank in the amount of \$95,869 at an annual imputed rate of interest of 2.72% for a period of six years for the purpose of acquiring a John Deere tractor and boom mower, which is jointly held by Precincts #1, #2, and #3. Payments are due annually at an amount of \$17,070 with a final maturity in fiscal year 2018.

On January 13, 2014, the County entered into a long-term capital lease agreement with Government Capital Corporation in the amount of \$99,572 at an annual imputed rate of interest of 3.81% for a period of three years for the purpose of acquiring four Chevrolet Tahoes for the Sheriff's office. Payments are due annually at an amount of \$35,385 with a final maturity in fiscal year 2017.

On August 7, 2014, the County entered into a note agreement with John Deere Financial in the amount of \$99,010 at an annual imputed rate of interest of 3.04% for a period of five years for the purpose of acquiring a 2014 John Deere motor grader. Payments are due annually at an amount of \$21,645 with a final maturity in fiscal year 2019.

On February 18, 2016, the County entered into a note agreement with John Deere Financial in the amount of \$248,810 at an annual imputed rate of interest of 2.97% for a period of five years for the purpose of acquiring a 2016 John Deere motor grader. Payments are due annually at an amount of \$24,289 with a final balloon payment of \$160,000 maturing in fiscal year 2021.

Future minimum lease payments under capital leases are as follows:

2017	\$	98,389
2018		63,004
2019		45,934
2020		45,934
2021		<u>184,290</u>
Total minimum lease payments		<u>437,551</u>
Less amount representing interest		<u>60,805</u>
Present value of minimum lease payments	\$	<u><u>376,746</u></u>

Total interest expense on capital leases for the year ended September 30, 2016 was \$6,868.

The following is an analysis of the leased assets:

Equipment	\$	543,679
Vehicles		124,572
Less accumulated depreciation		<u>(159,634)</u>
Net value of leased assets	\$	<u><u>508,617</u></u>

D. Compensated Absences

County employees are entitled certain compensated absences based on their length of employment. Accrued compensated absences at September 30, 2016 totaled \$15,124.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 8: Long-Term Obligations - continued

E. Long-Term Obligation Activity

Long-Term Obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended September 30, 2016, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Note payable - Commercial National Bank - Brady	\$ 48,691	\$ -	\$ (24,105)	\$ 24,586	\$ 24,586
Note payable - Caterpillar Financial Services Corp.	138,477	-	-	138,477	13,761
Note payable - Government Capital Corporation	63,132	-	(20,436)	42,696	21,020
Note payable - Caterpillar Financial Services Corp.	151,601	-	(11,307)	140,294	13,769
Note payable - Commercial National Bank - Brady	-	48,540	-	48,540	23,776
Total notes payable	<u>401,901</u>	<u>48,540</u>	<u>(55,848)</u>	<u>394,593</u>	<u>96,912</u>
Bonds payable - Bond Series 2008	920,000	-	(100,000)	820,000	105,000
Capital lease - Welsh State Bank	48,414	-	(15,749)	32,665	16,175
Capital lease - Government Capital Corporation	66,943	-	(32,849)	34,094	34,094
Capital lease - John Deere Financial	80,377	-	(19,200)	61,177	19,784
Capital lease - John Deere Financial	-	248,810	-	248,810	16,798
Total capital leases payable	<u>195,734</u>	<u>248,810</u>	<u>(67,798)</u>	<u>376,746</u>	<u>86,851</u>
Compensated absences	<u>19,370</u>	<u>-</u>	<u>(4,246)</u>	<u>15,124</u>	<u>3,025</u>
Total Governmental Activities	<u>\$ 1,537,005</u>	<u>\$ 297,350</u>	<u>\$ (227,892)</u>	<u>\$ 1,606,463</u>	<u>\$ 291,788</u>

Note 9: Pension Plan

Plan Description. The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and County Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 701 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

FILED

FEB 27 2017

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 9: Pension Plan - continued

Benefits Provided. The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 20 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the District's Board within certain guidelines.

Membership. County membership in the TCDRS plan at December 31, 2015 consisted of the following:

Inactive employees:	
Receiving benefits	35
Entitled to but not receiving benefits	18
Active employees	46

Contributions. The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Contribution Rates

	<u>2015</u>	<u>2016</u>
Member	7.0%	7.0%
Employers	7.0%	7.0%
Employer Contributions		\$ 103,900
Member Contributions		\$ 103,900

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2015
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0 years
Asset Valuation Method	5 year smoothed market
Discount Rate	8.10%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.90%, average
Payroll Growth Rate	3.5%
*Includes Inflation of 3.0%	

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 9: Pension Plan - continued

Except for the mortality assumptions, the actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2009 - 2012. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2013 and first used in the December 31, 2013 actuarial valuation. The mortality assumptions were developed by Milliman, Inc. and adopted by the TCDRS Board of Trustees in 2015, and first used in the December 31, 2015 actuarial valuation.

There were changes in assumptions and methods reflected in the December 31, 2015 actuarial valuation. Mortality assumptions have been changed to reflect projected improvements. All other assumptions and methods are the same as used in the prior valuation. Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 8.1%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

- 1) TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
- 2) Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
- 3) The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
- 4) Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 information for a 7 - 10 year time horizon.

FILED

FEB 27 2017

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 9: Pension Plan - continued

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is based on a 30-year time horizon; the most recent analysis was performed in 2013 based on the period January 1, 2009 – December 31, 2013. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Benchmark	Target Allocation ¹	Geometric Real Rate of Return (Expected minus Inflation) ²
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ³	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities – Developed	MSCI World Ex USA (net)	10.00%	5.45%
International Equities – Emerging	MSCI World Ex USA (net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁴	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

¹ Target asset allocation adopted at the April 2016 TCDRS Board meeting.

² Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 capital market assumptions.

³ Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

⁴ Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 9: Pension Plan - continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2016, the County reported a net pension asset of \$39,278 measured at December 31, 2015. For the year ended September 30, 2016, the County recognized pension expense of \$170,493.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the net pension asset for the year ended December 31, 2015 are as follows:

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances at December 31, 2014	\$ 4,632,449	\$ 5,027,110	\$ (394,661)
Changes for the year:			
Service cost	177,841	-	177,841
Interest on total pension liability ⁵	371,113	-	371,113
Effect of plan changes ⁶	(27,594)	-	(27,594)
Effect of economic/demographic gains or losses	(73,629)	-	(73,629)
Effect of assumptions changes or inputs	53,432	-	53,432
Refund of contributions	(17,599)	(17,599)	-
Benefit payments	(289,713)	(289,713)	-
Administrative expenses	-	(3,561)	3,561
Member contributions	-	103,900	(103,900)
Net investment income	-	(9,338)	9,338
Employer contributions	-	103,900	(103,900)
Other ⁷	-	(49,121)	49,121
Balances as of December 31, 2015	\$ 4,826,300	\$ 4,865,578	\$ (39,278)

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

⁵ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁶ Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018.

⁷ Relates to the allocation of system-wide items.

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 9: Pension Plan - continued

Discount Rate Sensitivity Analysis. The following presents the net pension liability / (asset) of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease (7.10%)	Current Discount Rate (8.10%)	1% Increase (9.10%)
Total pension liability	\$ 5,409,276	\$ 4,826,300	\$ 4,340,563
Fiduciary net position	4,865,578	4,865,578	4,865,578
Net pension liability / (asset)	\$ 543,698	\$ (39,278)	\$ (524,925)

At December 31, 2015 the County reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of <u>Resources</u>	Deferred Outflows of <u>Resources</u>
Differences between expected and actual economic experience	\$ 55,222	\$ 28,231
Changes in actuarial assumptions	-	40,074
Net difference between projected and actual investment earnings	-	370,806
Contributions paid to TCDRS subsequent to the measurement date	-	78,358
Total	<u>\$ 55,222</u>	<u>\$ 517,469</u>

\$78,358 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as an increase of the net pension asset for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows or resources related to pensions, will be recognized in pension expense as follows:

<u>Year ended September 30:</u>	<u>Pension Expense Amount</u>
2017	\$ 105,065
2018	105,065
2019	90,949
2020	82,810
2021	-
Thereafter	-

Note 10: Commitments and Contingencies

A. Contingencies

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

FILED

FEB 27 2017

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 10: Commitments and Contingencies - continued

B. Litigation

The County Attorney has indicated that there are no threatened litigation, claims, or assessments or unasserted claims and assessments against the County.

Note 11: Subsequent Events

The County has evaluated subsequent events through January xx, 2017, the date the financial statements were available to be issued. Effective November 8, 2016, a bond package was passed by vote for use in the construction of a county jail. The bond is issued for \$xxxxxx at an interest rate of xx. Additionally, the purchase of a parcel of land for \$90,000 for use as the site of the jail that was contingent on the bond passing was completed.

Note 12: Fund Balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable*, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
2. *Restricted* fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commissioners' Court (the County's highest level of decision-making authority).
4. *Assigned* fund balance classification includes amounts intended to be used by the County for specific purposes but that do not meet the criteria to be classified as restricted or committed.
5. *Unassigned* fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications.

Nonspendable Fund Balance

At September 30, 2016, the nonspendable fund balance is composed of the following:

Prepaid items	\$	66,170
---------------	----	--------

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2016

Note 12: Fund Balance - continued

Restricted Fund Balance

At September 30, 2016, the restricted fund balance is composed of the following:

CETRZ grant	\$	1,679
Debt service		68,934
Permanent improvement		234,708
Special ad valorem		68,898
Library		986,130
Law library		34,567
Hot check		1,601
Special road repairs precinct 1 & 3		127,207
Archive fees		106,192
Court record preservation		6,365
Courthouse security		46,227
Pre-trial diversion		26,282
Records management		101,210
Restoration and preservation		19,970
Technology fees		38,337
Video fees		3,651
Conservation dam maintenance		18,000
Probate training		8,586
Salary supplement excess – county judge		1,759
Voting equipment rental		<u>25,850</u>
	\$	<u>1,926,153</u>

Committed Fund Balance

The County's committed fund balance is the portion of the fund balance that may only be established and modified by a formal action of the Commissioners' Court. At September 30, 2016, the following amounts of fund balance are committed by a formal action of the Commissioners' Court:

None in the current year

Assigned Fund Balance

The Commissioners' Court has the authority to assign fund balance to each of the four road & bridge precincts. At September 30, 2016, the following amounts of fund balance have been assigned:

Road and bridge operations	\$	632,652
Conservation dam maintenance		1,000
Child Abuse Prevention		100
Truancy Court		<u>50</u>
	\$	<u>633,802</u>

Order of Fund Balance Spending Policy

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: 1) Restricted; 2) Committed; 3) Assigned; and 4) Unassigned.

Minimum Fund Balance Policy

The County does not have a minimum fund balance policy.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
 Required Supplementary Information
 General Fund Budgetary Comparison Schedule
 For the Year Ended September 30, 2016

	2016			
	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Property taxes	\$ 2,323,747	\$ 2,487,690	\$ 2,826,921	\$ 339,231
Other taxes	660,000	664,636	642,854	(21,782)
Fines and fees	442,100	567,602	512,454	(55,148)
Intergovernmental and grants	56,830	60,874	60,874	-
Investment earnings	30,000	30,000	23,581	(6,419)
Miscellaneous	146,547	182,842	107,105	(75,737)
Total revenues	3,659,224	3,993,644	4,173,789	180,145
EXPENDITURES				
Current:				
General administrative	832,315	809,699	804,572	5,127
Judicial	617,873	625,205	617,115	8,090
Public safety	1,139,302	1,220,841	1,077,153	143,688
Agriculture extension service	85,151	83,185	80,891	2,294
Facilities	74,995	85,202	82,632	2,570
Non-departmental	640,900	639,797	514,022	125,775
Veteran's service office	10,639	10,639	9,891	748
Elections	35,000	35,000	19,037	15,963
Debt service:				
Principal	57,892	57,892	53,285	4,607
Interest and fiscal charges	-	-	4,570	(4,570)
Capital outlay	-	-	103,397	(103,397)
Total expenditures	3,494,067	3,567,460	3,366,565	200,895
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	165,157	426,184	807,224	381,040
OTHER FINANCING SOURCES (USES)				
Sale of property	55,540	56,648	1,108	(55,540)
Transfers in (out)	(470,289)	(470,289)	(494,639)	(24,350)
Total other financing sources (uses)	(414,749)	(413,641)	(493,531)	(79,890)
NET CHANGE IN FUND BALANCES	(249,592)	12,543	313,693	301,150
FUND BALANCES AT BEGINNING OF YEAR	2,485,332	2,485,332	2,485,332	-
FUND BALANCES AT END OF YEAR	\$ 2,235,740	\$ 2,497,875	\$ 2,799,025	\$ 301,150

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
 Required Supplementary Information
 Road and Bridge Fund Budgetary Comparison Schedule
 For the Year Ended September 30, 2016

	2016			
	Original Budget	Final Budget	Actual	Variance From Final Budget
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and fees	526,070	527,295	510,800	(16,495)
Intergovernmental and grants	48,530	48,533	-	(48,533)
Investment earnings	3,964	53,092	4,601	(48,491)
Miscellaneous	30,007	28,470	2,314	(26,156)
Total revenues	608,571	657,390	517,715	(139,675)
EXPENDITURES				
Current:				
General administrative	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Road and Bridge	761,722	864,684	640,542	224,142
Agriculture extension service	-	-	-	-
Facilities	-	-	-	-
Non-departmental	-	-	-	-
Veteran's service office	-	-	-	-
Elections	-	-	-	-
Debt service:				
Principal	116,450	106,435	70,361	36,074
Interest and fiscal charges	440	-	17,005	(17,005)
Capital outlay	17,613	69,640	312,350	(242,710)
Total expenditures	896,225	1,040,759	1,040,258	501
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(287,654)	(383,369)	(522,543)	(139,174)
OTHER FINANCING SOURCES (USES)				
Loan/capital lease proceeds	-	-	297,350	297,350
Transfers in (out)	264,109	282,693	302,103	19,410
Total other financing sources (uses)	264,109	282,693	599,453	316,760
NET CHANGE IN FUND BALANCES	(23,545)	(100,676)	76,910	177,586
FUND BALANCES AT BEGINNING OF YEAR	555,742	555,742	555,742	-
FUND BALANCES AT END OF YEAR	\$ 532,197	\$ 455,066	\$ 632,652	\$ 177,586

FILED

FEB 27 2017

McCULLOCH COUNTY, TEXAS
 Required Supplementary Information
 Library Fund Budgetary Comparison Schedule
 For the Year Ended September 30, 2016

	2016			
	Original Budget	Final Budget	Actual	Variance from Final Budget
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	-	-
Fines and fees	3,500	4,271	4,271	-
Intergovernmental and grants	914,100	1,724,217	921,217	(803,000)
Investment earnings	300	5,969	5,969	-
Miscellaneous	-	-	-	-
Total revenues	917,900	1,734,457	931,457	(803,000)
EXPENDITURES				
Current:				
General administrative	141,865	149,268	142,679	6,589
Judicial	-	-	-	-
Public safety	-	-	-	-
Road and Bridge	-	-	-	-
Agriculture extension service	-	-	-	-
Facilities	-	-	-	-
Non-departmental	-	-	-	-
Veteran's service office	-	-	-	-
Elections	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	141,865	149,268	142,679	6,589
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	776,035	1,585,189	788,778	(796,411)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	134,359	134,359
Total other financing sources (uses)	-	-	134,359	134,359
NET CHANGE IN FUND BALANCES	776,035	1,585,189	923,137	(662,052)
FUND BALANCES AT BEGINNING OF YEAR	62,993	62,993	62,993	-
FUND BALANCES AT END OF YEAR	\$ 839,028	\$ 1,648,182	\$ 986,130	\$ (662,052)

FILED

FEB 27 2017

Tina A. Smith
 McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Schedule of Changes in Net Pension Asset and Related Ratios
Texas County & District Retirement System
For the Year Ended September 30, 2016

	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability		
Service cost	\$ 177,841	\$ 161,983
Interest on total pension liability	371,113	347,265
Effect of plan changes	(27,594)	-
Effect of assumption changes or inputs	53,432	-
Effect of economic/demographic (gains) or losses	(73,629)	56,461
Benefit payments/refunds of contributions	(307,312)	(276,740)
Net change in total pension liability	<u>193,851</u>	<u>288,969</u>
Total pension liability, beginning	4,632,449	4,343,480
Total pension liability, ending (a)	<u>\$ 4,826,300</u>	<u>\$ 4,632,449</u>
Fiduciary Net Position		
Employer contributions	\$ 103,900	\$ 94,570
Member contributions	103,900	94,570
Investment income net of investment expenses	(9,338)	322,177
Benefit payments/refunds of contributions	(307,312)	(276,740)
Administrative expenses	(3,561)	(3,781)
Other	(49,121)	12,949
Net change in fiduciary net position	<u>(161,532)</u>	<u>243,745</u>
Fiduciary net position, beginning	5,027,110	4,783,365
Fiduciary net position, ending (b)	<u>\$ 4,865,578</u>	<u>\$ 5,027,110</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ (39,278)</u>	<u>\$ (394,661)</u>
Fiduciary net position as a percentage of total pension liability	100.81 %	108.52 %
Pensionable covered payroll	\$ 1,484,285	\$ 1,351,003
Net pension liability as a percentage of covered payroll	(2.65) %	(29.21) %

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Schedule of Employer Contributions
Texas County & District Retirement System
For the Year Ended September 30, 2016

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2006	\$ 31,350	\$ 65,901	\$ (34,551)	\$ 941,443	7.0 %
2007	34,985	67,839	(32,854)	969,121	7.0
2008	30,129	69,150	(39,021)	987,851	7.0
2009	29,141	71,076	(41,935)	1,015,374	7.0
2010	43,737	74,856	(31,119)	1,069,374	7.0
2011	41,632	77,713	(36,081)	1,110,187	7.0
2012	52,215	81,585	(29,370)	1,165,505	7.0
2013	62,969	84,441	(21,472)	1,206,298	7.0
2014	80,114	94,570	(14,456)	1,351,003	7.0
2015	84,011	103,900	(19,889)	1,484,285	7.0

FILED

FEB 27 2017

Tina A. Smith
 McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Notes to Required Supplementary Information
For the Year Ended September 30, 2016

Budgetary Information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America by the County Judge with the assistance of the County Treasurer's Office and approved by the Commissioners' Court following a public hearing. The County maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County's governing body and, as such, is a good management control device.

The budget law of the State of Texas provides that "the amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in said funds plus the anticipated revenues for the current year for which the budget is made as estimated by the County Auditor." In addition, the law provides that the Commissioners' Court "may, upon proper application, transfer an existing budget surplus during the year to a budget of like kind and fund but no such transfer shall increase the total budget."

The County's legal level of control for appropriations is at the category level (i.e., salaries and fringe benefits, contract services, general operating, etc.) for each department/project within the general fund. Administrative control is maintained through the establishment of more detailed accounts within each category. Appropriation transfers and budget increases may be made between categories or departments only with the approval of the Commissioners' Court. The original budgets presented in the report are the approved budgets before amendments and transfers. The final budgets presented in this report reflect the budgets as amended for all appropriation transfers and increases processed during the fiscal year.

The following General Fund expenditures exceeded budgeted amounts:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Capital outlay	\$ -	\$ -	\$ 103,397	\$ (103,397)

The following Road and Bridge Fund expenditures exceeded budgeted amounts:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
Capital outlay	\$ 17,613	\$ 69,640	\$ 312,350	\$ (242,710)

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Notes to Required Supplementary Information
For the Year Ended September 30, 2016

Net Pension Liability – Texas County & District Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	0.0 years
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	4.9%, average, including inflation
Investment rate of return	8.00%, including inflation
Cost-of-living adjustments	Cost-of-living adjustments for the County are not considered to be substantively automatic. Therefore, no assumption for cost-of-living adjustments is included in the calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	Assumed life expectancies are based on the RP-2000 Active Employee Mortality Table for depositing members, the RP-2000 Combined Mortality Table for service retirees and the RP-2000 Disabled Mortality Table for disabled retirees.

Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

FILED

FEB 27 2017

COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION

The supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
 Nonmajor Governmental Funds
 Combining Balance Sheet
 September 30, 2016

	Special Ad Valorem	Law Library	Hot Check	Special Road Repairs Precinct 1 & 3
ASSETS				
Cash and cash equivalents	\$ 68,851	\$ 34,515	\$ 1,477	\$ 707
Receivables (net of allowances)				
Taxes	191	-	-	-
Other	47	175	210	-
Restricted Assets				
Cash and cash equivalents	-	-	-	126,500
Total assets	<u>\$ 69,089</u>	<u>\$ 34,690</u>	<u>\$ 1,687</u>	<u>\$ 127,207</u>
LIABILITIES				
Accounts payable	\$ -	\$ 123	\$ 86	\$ -
Total liabilities	-	123	86	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	191	-	-	-
Total deferred inflows of resources	191	-	-	-
FUND BALANCES				
Restricted	68,898	34,567	1,601	127,207
Assigned	-	-	-	-
Total fund balance	<u>68,898</u>	<u>34,567</u>	<u>1,601</u>	<u>127,207</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 69,089</u>	<u>\$ 34,690</u>	<u>\$ 1,687</u>	<u>\$ 127,207</u>

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

<u>Archive Fees</u>	<u>Court Record Preservation</u>	<u>Courthouse Security</u>	<u>Pre-Trial Diversion</u>	<u>Records Management</u>	<u>Restoration and Preservation</u>
\$ 106,192	\$ 6,365	\$ 46,227	\$ 26,282	\$ 101,210	\$ 19,970
-	-	-	-	-	-
-	-	-	-	-	-
<u>106,192</u>	<u>6,365</u>	<u>46,227</u>	<u>26,282</u>	<u>101,210</u>	<u>19,970</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
106,192	6,365	46,227	26,282	101,210	19,970
-	-	-	-	-	-
<u>106,192</u>	<u>6,365</u>	<u>46,227</u>	<u>26,282</u>	<u>101,210</u>	<u>19,970</u>
<u>\$ 106,192</u>	<u>\$ 6,365</u>	<u>\$ 46,227</u>	<u>\$ 26,282</u>	<u>\$ 101,210</u>	<u>\$ 19,970</u>

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

	Technology Fees	Video Fees	Conservation Dam Maintenance	Probate Training
ASSETS				
Cash and cash equivalents	\$ 38,337	\$ 3,651	\$ 19,000	\$ 8,586
Receivables (net of allowances)				
Taxes	-	-	-	-
Other	-	-	-	-
Restricted Assets				
Cash and cash equivalents	-	-	-	-
Total assets	<u>\$ 38,337</u>	<u>\$ 3,651</u>	<u>\$ 19,000</u>	<u>\$ 8,586</u>
LIABILITIES				
Accounts payable	-	-	-	-
Total liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Restricted	38,337	3,651	18,000	8,586
Assigned	-	-	1,000	-
Total fund balance	<u>38,337</u>	<u>3,651</u>	<u>19,000</u>	<u>8,586</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 38,337</u>	<u>\$ 3,651</u>	<u>\$ 19,000</u>	<u>\$ 8,586</u>

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

Salary Supp. Excess Co. Judge	Voting Equipment Rental	Child Abuse Prevention	Truancy Court	CETRZ Grant Fund	Total Nonmajor Special Revenue Funds
\$ 1,759	\$ 25,850	\$ 100	\$ 50	\$ 1,679	\$ 510,808
-	-	-	-	-	191
-	-	-	-	-	432
-	-	-	-	-	126,500
<u>\$ 1,759</u>	<u>\$ 25,850</u>	<u>\$ 100</u>	<u>\$ 50</u>	<u>\$ 1,679</u>	<u>\$ 637,931</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 209
-	-	-	-	-	209
-	-	-	-	-	191
-	-	-	-	-	191
1,759	25,850	-	-	1,679	636,381
-	-	100	50	-	1,150
<u>1,759</u>	<u>25,850</u>	<u>100</u>	<u>50</u>	<u>1,679</u>	<u>637,531</u>
<u>\$ 1,759</u>	<u>\$ 25,850</u>	<u>\$ 100</u>	<u>\$ 50</u>	<u>\$ 1,679</u>	<u>\$ 637,931</u>

FILED

FEB 27 2017

McCULLOCH COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2016

	Debt Service Fund	Permanent Improvement Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 68,578	\$ 246,451	\$ 825,837
Receivables (net of allowances)			
Taxes	1,612	-	1,803
Other	356	148	936
Restricted Assets			
Cash and cash equivalents	-	-	126,500
Total assets	<u>\$ 70,546</u>	<u>\$ 246,599</u>	<u>\$ 955,076</u>
LIABILITIES			
Accounts payable	-	11,891	12,100
Total liabilities	-	11,891	12,100
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	1,612	-	1,803
Total deferred inflows of resources	1,612	-	1,803
FUND BALANCES			
Restricted	68,934	234,708	940,023
Assigned	-	-	1,150
Total fund balance	<u>68,934</u>	<u>234,708</u>	<u>941,173</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 70,546</u>	<u>\$ 246,599</u>	<u>\$ 955,076</u>

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2016

	Special Ad Valorem	Law Library	Hot Check	Special Road Repairs Precinct 1 & 3
REVENUES				
Property taxes	\$ 17,695	\$ -	\$ -	\$ -
Fines and fees	-	4,655	1,392	-
Investment earnings	563	247	5	11,513
Miscellaneous	-	-	-	-
Total revenues	18,258	4,902	1,397	11,513
EXPENDITURES				
Current:				
General government	15,605	1,485	672	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	15,605	1,485	672	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,653	3,417	725	11,513
OTHER FINANCING SOURCES				
Transfers in (out)	-	489	-	-
Total other financing sources (uses)	-	489	-	-
NET CHANGE IN FUND BALANCES	2,653	3,906	725	11,513
FUND BALANCES AT BEGINNING OF YEAR	66,245	30,661	876	115,694
FUND BALANCES AT END OF YEAR	\$ 68,898	\$ 34,567	\$ 1,601	\$ 127,207

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

Archive Fees	Court Record Preservation	Courthouse Security	Pre-Trial Diversion	Records Management	Restoration and Preservation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,980	2,544	12,763	25,110	19,038	1,397
-	-	-	-	-	-
-	-	-	-	-	-
19,980	2,544	12,763	25,110	19,038	1,397
1,142	149	7,124	2,580	-	968
-	-	-	-	-	-
-	-	-	-	-	-
1,142	149	7,124	2,580	-	968
18,838	2,395	5,639	22,530	19,038	429
-	-	-	-	-	-
-	-	-	-	-	-
18,838	2,395	5,639	22,530	19,038	429
87,354	3,970	40,588	3,752	82,172	19,541
\$ 106,192	\$ 6,365	\$ 46,227	\$ 26,282	\$ 101,210	\$ 19,970

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2016

	Technology Fees	Video Fees	Conservation Dam Maintenance	Probate Training
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines and fees	11,486	236	-	215
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	11,486	236	-	215
EXPENDITURES				
Current:				
General government	1,948	-	-	1,990
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,948	-	-	1,990
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	9,538	236	-	(1,775)
OTHER FINANCING SOURCES				
Transfers in (out)	-	-	1,000	-
Total other financing sources (uses)	-	-	1,000	-
NET CHANGE IN FUND BALANCES	9,538	236	1,000	(1,775)
FUND BALANCES AT BEGINNING OF YEAR	28,799	3,415	18,000	10,361
FUND BALANCES AT END OF YEAR	\$ 38,337	\$ 3,651	\$ 19,000	\$ 8,586

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

Salary Supp. Excess Co. Judge	Voting Equipment Rental	Child Abuse Prevention	Truancy Court	CETRZ Grant Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,695
-	-	-	-	-	98,816
-	-	-	-	13	12,341
<u>206</u>	<u>10,540</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,746</u>
206	10,540	-	-	13	139,598
-	-	-	-	-	33,663
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,663</u>
206	10,540	-	-	13	105,935
<u>-</u>	<u>-</u>	<u>100</u>	<u>50</u>	<u>-</u>	<u>1,639</u>
<u>-</u>	<u>-</u>	<u>100</u>	<u>50</u>	<u>-</u>	<u>1,639</u>
206	10,540	100	50	13	107,574
<u>1,553</u>	<u>15,310</u>	<u>-</u>	<u>-</u>	<u>1,666</u>	<u>529,957</u>
<u>\$ 1,759</u>	<u>\$ 25,850</u>	<u>\$ 100</u>	<u>\$ 50</u>	<u>\$ 1,679</u>	<u>\$ 637,531</u>

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended September 30, 2016

	Debt Service Fund	Permanent Improvement Fund	Total Nonmajor Governmental Funds
REVENUES			
Property taxes	\$ 137,170	\$ -	\$ 154,865
Fines and fees	-	-	98,816
Investment earnings	720	1,742	14,803
Miscellaneous	-	-	10,746
Total revenues	137,890	1,742	279,230
EXPENDITURES			
Current:			
General government	-	24,633	58,296
Debt service:			
Principal	100,000	-	100,000
Interest and fiscal charges	34,932	-	34,932
Total expenditures	134,932	24,633	193,228
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,958	(22,891)	86,002
OTHER FINANCING SOURCES			
Transfers in (out)	-	56,538	58,177
Total other financing sources (uses)	-	56,538	58,177
NET CHANGE IN FUND BALANCES	2,958	33,647	144,179
FUND BALANCES AT BEGINNING OF YEAR	65,976	201,061	796,994
FUND BALANCES AT END OF YEAR	\$ 68,934	\$ 234,708	\$ 941,173

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
 Combining Statement of Fiduciary Assets and Liabilities
 Fiduciary Funds
 September 30, 2016

	<u>Tax Accessor/ Collector</u>	<u>Tax Accessor/ Collector Chapter 19</u>	<u>District Clerk</u>	<u>District Clerk Excess Tax</u>
ASSETS:				
Cash and cash equivalents	\$ 96,573	\$ 4	\$ 12,297	\$ 16,887
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 96,573</u>	<u>\$ 4</u>	<u>\$ 12,297</u>	<u>\$ 16,887</u>
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to others	<u>96,573</u>	<u>4</u>	<u>12,297</u>	<u>16,887</u>
TOTAL LIABILITIES	<u>\$ 96,573</u>	<u>\$ 4</u>	<u>\$ 12,297</u>	<u>\$ 16,887</u>

FILED

FEB 27 2017

Tina A. Smith
 McCulloch County Clerk

<u>District Clerk Trust</u>	<u>County Clerk Escrow</u>	<u>County Clerk Fees</u>	<u>County Clerk Trust</u>	<u>Sheriff's Department</u>	<u>Sheriff's Forfeiture</u>
\$ 118,072	\$ 23,745	\$ 20,933	\$ 133	\$ 2,368	\$ 8,211
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 118,072</u>	<u>\$ 23,745</u>	<u>\$ 20,933</u>	<u>\$ 133</u>	<u>\$ 2,368</u>	<u>\$ 8,211</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>118,072</u>	<u>23,745</u>	<u>20,933</u>	<u>133</u>	<u>2,368</u>	<u>8,211</u>
<u>\$ 118,072</u>	<u>\$ 23,745</u>	<u>\$ 20,933</u>	<u>\$ 133</u>	<u>\$ 2,368</u>	<u>\$ 8,211</u>

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

McCULLOCH COUNTY, TEXAS
 Combining Statement of Fiduciary Assets and Liabilities
 Fiduciary Funds
 September 30, 2016

	Sheriff's LEOSE	DARE	Inmate Trust	Commissary Profit
ASSETS:				
Cash and cash equivalents	\$ 2,764	\$ 261	\$ 4,656	\$ 3,469
Accounts receivable	-	-	-	-
TOTAL ASSETS	\$ 2,764	\$ 261	\$ 4,656	\$ 3,469
LIABILITIES:				
Accounts payable	\$ -	\$ -	\$ -	\$ 2,962
Due to others	2,764	261	4,656	507
TOTAL LIABILITIES	\$ 2,764	\$ 261	\$ 4,656	\$ 3,469

FILED

FEB 27 2017

Tina A. Smith
 McCulloch County Clerk

<u>Justice of the Peace</u>	<u>Prosecutor's Collection</u>	<u>State Trust</u>	<u>Payroll Clearing</u>	<u>Richards Memorial Library</u>	<u>Total Agency Funds</u>
\$ 19,734	\$ 1,552	\$ 63,085	\$ 30,742	\$ 637	\$ 426,123
<u>-</u>	<u>-</u>	<u>10,875</u>	<u>2,323</u>	<u>-</u>	<u>13,198</u>
<u>\$ 19,734</u>	<u>\$ 1,552</u>	<u>\$ 73,960</u>	<u>\$ 33,065</u>	<u>\$ 637</u>	<u>\$ 439,321</u>
\$ -	\$ -	\$ 60,075	\$ -	\$ -	\$ 63,037
<u>19,734</u>	<u>1,552</u>	<u>13,885</u>	<u>33,065</u>	<u>637</u>	<u>376,284</u>
<u>\$ 19,734</u>	<u>\$ 1,552</u>	<u>\$ 73,960</u>	<u>\$ 33,065</u>	<u>\$ 637</u>	<u>\$ 439,321</u>

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Government Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Judge and
Members of the Commissioners' Court
McCulloch County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McCulloch County, Texas (the County), as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described below, that we consider to be significant deficiencies.

Finding 2016-001

The County does not prepare its financial statements, complete with notes, in accordance with Generally Accepted Accounting Principles (GAAP). Accordingly, the County is unable to, or has not established internal controls over the preparation of financial statements in accordance with GAAP.

Recommendation: Auditing standards require that auditors communicate this deficiency; however, the County prepares budgetary reports on a routine basis, similar to many smaller governmental entities. The County may determine that the cost to cure this deficiency exceeds the benefit derived and, therefore, continue to rely on the auditor to prepare financial statements in accordance with GAAP.

Management's Response to Finding 2016-001: The County has analyzed the risks and does not believe that the benefits outweigh the costs.

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Finding 2016-002

The Texas Public Funds Investment Act requires adoption of a formal time table for annually reviewing and revising the County's investment policy. This review and revision appears to have not occurred for multiple years.

Recommendation: A formal, documented review of the investment policy should be implemented by the Commissioner's Court for subsequent periods.

Management's Response to Finding 2016-002: The County will adopt a formal annual review and revision by the Commissioner's Court of the County's investment policy.

McCulloch County, Texas Response to Findings

The County's responses to the findings identified in our audit are described above. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
January 31, 2017

FILED

FEB 27 2017

Tina A. Smith
McCulloch County Clerk