



County of Eastland

EASTLAND COUNTY, TEXAS

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

September 30, 2016

EASTLAND COUNTY, TEXAS

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September 30, 2016

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May 15, 2017

**The Honorable County Judge and Commissioners
Comprising the Commissioner's Court of
Eastland County, Texas**

INDEPENDENT AUDITORS' REPORT

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 Eastland County, Texas 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 an opinion 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 general-purpose 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 County'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.

Opinion

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 Eastland County, Texas as of September 30, 2016, and the respective changes in financial position, for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9, budgetary comparison information on pages 34 through 35, and schedules of pension information and funding progress on pages 36 through 38, 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 and individual nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, and other supplementary information is the responsibility of management and was derived from and relates 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 and individual nonmajor fund financial statements, and other supplementary information is 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 May 15, 2017 on our consideration of the Eastland County, Texas' 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 Eastland County, Texas' internal control over financial reporting and compliance.

Condly and Company, L.L.P.

Certified Public Accountants

*REQUIRED SUPPLEMENTARY INFORMATION -
MANAGEMENT'S DISCUSSION AND ANALYSIS*

EASTLAND COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2016

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2016. Please read it in conjunction with the County's financial statements that begin on page 10.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34.

Report Components

This annual report consists of five parts as follows:

Government-Wide Financial Statements: The statement of net position and the statement of activities (on pages 10 through 11) provide information about the activities of the County government-wide (or "as a whole") and present a longer term view of the County's finances.

Fund Financial Statements: Fund financial statements, (starting on page 12) focus on the individual parts of the County government. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant ("major") funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending.

Notes to the Financial Statements: The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Required Supplementary Information: Management's discussion and analysis, budgetary comparison schedules, pension schedules, and other schedules of funding progress (starting on page 34) represent financial information required by accounting principles generally accepted in the United States of America to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Other Supplementary Information: This part of the annual report (starting on page 39) includes optional financial information such as combining statements for nonmajor funds (which are added together and shown in the fund financial statements in a single column). Also included in this section are fiduciary fund statements which provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong. This other supplemental financial information is provided to address certain specific needs of various users of the County's annual report.

Reporting the County as a Whole

The County's Reporting Entity Presentation

This annual report includes all activities for which the County is fiscally responsible.

The Government-Wide Statement of Net Position and the Statement of Activities

Our financial analysis of the County as a whole begins on page 10. The government-wide financial statements are presented on pages 10 through 11. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question.

These two statements report the County's net position and changes in them. The statement of net position presents information on all of Eastland County's assets and liabilities, with the difference between the two being reported as net position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's sales tax base and the condition of the County's capital assets, to assess the overall health of the County. In the statement of activities we present information showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Reporting the County's Most Significant Funds

The Fund Financial Statements

The fund financial statements begin on page 12 and provide detailed information about the most significant funds of the County as a whole, but do not portray the County as a whole. Some funds are required to be established by State law; however, the County establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's two kinds of funds - governmental and fiduciary - use different accounting approaches.

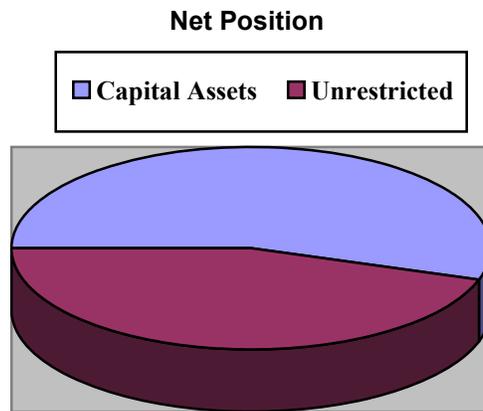
Governmental funds - Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations on pages 13 and 15. The County considers the general fund and the road and bridge fund to be its significant or major governmental funds. All other governmental funds are aggregated in a single column entitled other nonmajor governmental funds.

Fiduciary funds - The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position on page 16. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

Eastland County's combined net position was approximately \$9.3 million at September 30, 2016. The largest portion (approximately 55%) of the County's net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment), less accumulated depreciation and any related outstanding debt. The remaining balance of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.



Eastland County's combined total assets amounted to \$11,038,766. This amount included current and other assets of \$5,428,628 and capital and non-current assets of \$5,610,138. Deferred outflows of resources totaled \$1,362,038 at September 30, 2016 and relate to pension contributions. Total liabilities of the County at September 30, 2016 were \$3,123,182. The portion of liabilities classified as current was \$661,934 and long-term liabilities were \$2,461,248. See **Table 1** for additional variances between September 30, 2016 and 2015.

Table 1

	Governmental Activities	
	2016	2015
Assets:		
Current and other assets	\$ 5,428,628	\$ 4,780,697
Capital assets	5,610,138	5,633,928
Total Assets	<u>\$ 11,038,766</u>	<u>\$ 10,414,625</u>
Deferred Outflows of Resources	<u>\$ 1,362,038</u>	<u>\$ 677,104</u>

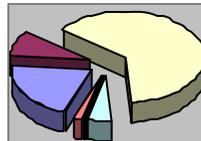
	Governmental Activities	
	2016	2015
Liabilities:		
Current liabilities	\$ 661,934	\$ 892,415
Noncurrent liabilities	2,461,248	1,508,189
Total Liabilities	\$ 3,123,182	\$ 2,400,604
Deferred Inflows of Resources	\$ 0	\$ 2,399
Net position:		
Invested in capital assets, net of related debt	\$ 5,099,224	\$ 5,211,662
Unrestricted	4,178,398	3,477,064
Total Net Position	\$ 9,277,622	\$ 8,688,726

Total assets increased primarily because of the County's cash and investment position. Cash and investments increased \$618,497 from September 30, 2015 to September 30, 2016. Liabilities increased primarily due to the recording of the net pension liability as required by GASB Statement No. 68 resulting in \$866,999 of additional liability that was not present at September 30, 2015.

Changes in Net Position

Eastland County's net position increased by \$588,896 during fiscal year 2016. Total revenues for the fiscal year ended September 30, 2016 were \$11,171,338. Approximately 63% of the County's revenue comes from property taxes. Charges for services decreased by \$75,123 and fines and forfeitures and other taxes increased by \$288. Operating grants and contributions increased \$448,823. Property taxes increased by \$563,604, and miscellaneous revenue (including investment earnings) decreased by \$248,449.

**Sources of Funds for
Governmental Activities - Fiscal
Year 2016**



- Charges for services
- Operating grants and contributions
- Property taxes
- Fines and forfeitures
- Investment earnings
- Other revenue sources

For the years ended September 30, 2016 and 2015, net position of the primary government changed as follows:

Table 2	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,326,281	\$ 2,401,404
Operating grants and contributions	1,009,861	561,038
General revenues:		
Property taxes	7,046,665	6,483,061
Fines and forfeitures and other taxes	580,523	580,235
Investment earnings	20,028	12,460
Miscellaneous	<u>187,980</u>	<u>443,997</u>
Total revenues	<u>11,171,338</u>	<u>10,482,195</u>
Expenses:		
General government	2,200,497	2,416,207
Health and welfare	513,557	510,693
Judicial and legal	2,293,520	2,270,830
Public safety	2,905,958	2,886,290
Public facilities	637,095	990,868
Road maintenance	2,022,014	1,803,492
Interest on long-term debt	<u>9,801</u>	<u>6,900</u>
Total expenses	<u>10,582,442</u>	<u>10,885,280</u>
Increase (decrease) in net position	588,896	(403,085)
Beginning net position	<u>8,688,726</u>	<u>9,665,021</u>
Prior period adjustment for GASB Statement No. 68	<u>0</u>	<u>(573,210)</u>
Ending net position	<u>\$ 9,277,622</u>	<u>\$ 8,688,726</u>

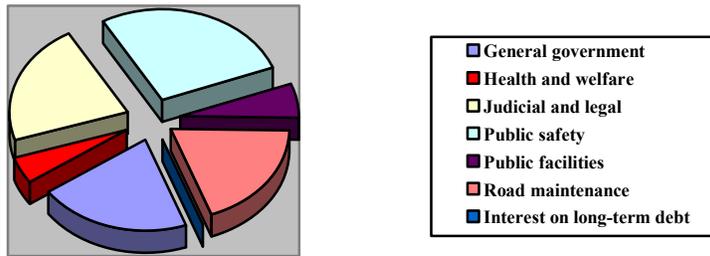
Governmental Activities

To aid in the understanding of the statement of activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical statement of revenues, expenses, and changes in fund balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a net (expense)/revenue. This type of format highlights the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

Expenditures decreased overall by \$302,838 from the prior year, primarily due to a decrease in public facilities expenses. Other areas had changes that were not overall significant.

The County's governmental resources were used as follows during the year ended September 30, 2016:

Uses of Funds in Governmental Activities



Total expenses for governmental activities amounted to \$10,582,442 during the year ended September 30, 2016. Of these total expenses, taxpayers and other general revenues funded \$7,246,300 while those directly benefiting from the program funded \$1,009,861 from grants and other contributions and \$2,326,281 was provided from charges for services for the year ended September 30, 2016.

A FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Fund Financial Highlights

- As of the end of the fiscal year, Eastland County's governmental funds reported a combined fund balance of \$4,667,562, an increase of \$851,482 or 22.31% in comparison with the prior year.
- The General Fund is the chief operating fund of the County. At the end of the fiscal year, \$2,766,450 of the general fund's fund balance total of \$2,829,289 is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 40% of total general fund expenditures.
- The County's total revenues exceeded total expenses by \$851,482 for the year.

General Fund Budgetary Highlights

Over the course of the year, the County revised the general fund budget at various times. With these adjustments, actual expenditures (excluding transfers) were \$571,130 lower than final budgeted amounts. The most significant positive variance from budgeted expenses resulted from less public safety expenditures than anticipated. The actual revenues were \$131,052 lower than expected.

Road and Bridge Fund Budgetary Highlights

Over the course of the year, the County revised the road and bridge fund budget at various times. With these adjustments, actual expenditures were only \$24,786 lower than final budgeted amounts. Actual revenues (excluding transfers and capital lease proceeds) were \$69,734 higher than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2016, the County had invested \$5,610,138 in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net decrease (including additions, retirements and adjustments) of \$23,790 or .4% over last year. The main events affecting capital assets during the year were the purchases of additional equipment for the road and bridge precincts. See **NOTE 5** in the notes to the financial statements for additional details.

Primary Government Capital Assets - (Net of accumulated depreciation)

	Governmental Activities 2016
Land	\$ 158,678
Buildings and improvements	2,280,842
Furniture and equipment	2,316,776
Infrastructure	<u>853,842</u>
Total	<u>\$ 5,610,138</u>

Capital Leases

At year end, the County had outstanding capital leases totaling \$510,914 that were obtained in order to finance acquisition of various equipment. See **NOTE 6** in the notes to the financial statements for additional details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending September 30, 2017, the County's budget is fairly consistent with this year. Budgeted expenditures for next fiscal year are approximately the same as they were for the 2015-2016 year. The County's fund balance is projected to remain consistent.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Eastland 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 Auditor's office at: Eastland County, Texas, 100 W. Main Street, Suite 205, Eastland, Texas 76448.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

EASTLAND COUNTY, TEXAS

STATEMENT OF NET POSITION

September 30, 2016

	<u>Governmental Activities</u>
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 2,625,523
Investments	2,397,350
Taxes receivable - net of allowance for uncollectible taxes of \$274,181	274,181
Due from other governments	58,335
Prepaid expenses and other assets	73,239
Capital Assets:	
Land	158,678
Buildings and improvements	4,673,834
Infrastructure	21,209,599
Furniture and equipment	7,031,302
Less accumulated depreciation	<u>(27,463,275)</u>
 TOTAL ASSETS	 <u>11,038,766</u>
 DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources related to pensions	<u>1,362,038</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>1,362,038</u>
 LIABILITIES:	
Current Liabilities:	
Accounts payable and accrued expenses	202,329
Accrued wages	275,923
Accrued interest payable	5,831
Due to other governments	8,633
Leases payable - current	169,218
Noncurrent Liabilities:	
Leases payable - long term	341,696
Net pension liability	<u>2,119,552</u>
 TOTAL LIABILITIES	 <u>3,123,182</u>
 NET POSITION:	
Invested in capital assets, net of related debt	5,099,224
Unrestricted	<u>4,178,398</u>
 TOTAL NET POSITION	 <u>\$ 9,277,622</u>

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

EASTLAND COUNTY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

	Program Revenues			Net (Expense) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Function/Program Activities				
Primary Government:				
Governmental Activities:				
General government	\$ 2,200,497	\$ 827,945	\$ 49,031	\$ (1,323,521)
Judicial and legal	2,293,520	530,558	497,696	(1,265,266)
Public safety	2,905,958	682,837	5,162	(2,217,959)
Public facilities	637,095	17,187	11,500	(608,408)
Road and bridge	2,022,014	212,380	446,472	(1,363,162)
Health and welfare	513,557	55,374		(458,183)
Interest on long-term debt	9,801			(9,801)
Total governmental activities	10,582,442	2,326,281	1,009,861	(7,246,300)
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				7,046,665
Fines and forfeitures				580,523
Loss on sale of assets				(34,093)
Other revenue				222,073
Interest income				20,028
Total General Revenues and Transfers				7,835,196
Change in Net Position				588,896
Net position - Beginning				8,688,726
Net position - Ending				\$ 9,277,622

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

FUND FINANCIAL STATEMENTS

EASTLAND COUNTY, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2016

	<u>General</u>	<u>Road and Bridge</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 703,377	\$ 215,509	\$ 1,706,637	\$ 2,625,523
Investments	2,337,350		60,000	2,397,350
Taxes receivable	548,362			548,362
Allowance for uncollectible taxes	(274,181)			(274,181)
Due from other funds	11,541		2,233	13,774
Due from other governments	23,744	4,570	30,021	58,335
Prepaid expenses and other assets	62,699	10,540		73,239
 Total Assets	 <u>\$ 3,412,892</u>	 <u>\$ 230,619</u>	 <u>\$ 1,798,891</u>	 <u>\$ 5,442,402</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>				
Liabilities:				
Accounts payable and accrued expenses	\$ 128,788	\$ 34,166	\$ 39,375	\$ 202,329
Accrued wages	175,376	37,397	63,150	275,923
Due to other funds	2,233	11,541		13,774
Due to other governments	3,025	218	5,390	8,633
 Total Liabilities	 <u>309,422</u>	 <u>83,322</u>	 <u>107,915</u>	 <u>500,659</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	274,181			274,181
 Total Deferred Inflows of Resources	 <u>274,181</u>	 <u>0</u>	 <u>0</u>	 <u>274,181</u>
Fund Balances:				
Non-spendable	62,699			62,699
Restricted		147,297	1,502,107	1,649,404
Committed	140			140
Assigned			188,869	188,869
Unassigned	2,766,450			2,766,450
 Total Fund Balances	 <u>2,829,289</u>	 <u>147,297</u>	 <u>1,690,976</u>	 <u>4,667,562</u>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <u>\$ 3,412,892</u>	 <u>\$ 230,619</u>	 <u>\$ 1,798,891</u>	 <u>\$ 5,442,402</u>

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

EASTLAND COUNTY, TEXAS

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

September 30, 2016

Fund Balances - Total Governmental funds		\$ 4,667,562
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 33,073,413	
Less accumulated depreciation	<u>(27,463,275)</u>	5,610,138
Deferred outflows of resources related to pensions.		1,362,038
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Interest payable	(5,831)	
Governmental leases payable	(510,914)	
Net pension liability	<u>(2,119,552)</u>	(2,636,297)
Property tax revenue considered unavailable for the governmental funds and recorded as a deferred inflow of resources in the governmental funds.		<u>274,181</u>
Net position of governmental activities		\$ <u><u>9,277,622</u></u>

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

EASTLAND 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	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ 7,016,451	\$	\$	\$ 7,016,451
Grants and contributions	86,445	95,665	827,751	1,009,861
Charges for services	824,815	456,920	1,044,546	2,326,281
Fines and forfeitures	566,852		13,671	580,523
Interest	15,065	1,216	3,747	20,028
Other	479,741	10,554	12,795	503,090
 Total Revenues	8,989,369	564,355	1,902,510	11,456,234
EXPENDITURES:				
Current:				
General government	2,598,298		14,279	2,612,577
Judicial and legal	1,357,447		898,834	2,256,281
Public safety	2,357,156		478,457	2,835,613
Public facilities	336,825		175,656	512,481
Road and bridge		2,163,598		2,163,598
Health and welfare	494,398		10,821	505,219
 Total Expenditures	7,144,124	2,163,598	1,578,047	10,885,769
 Excess (Deficit) Revenues Over (Under) Expenditures	1,845,245	(1,599,243)	324,463	570,465
OTHER FINANCING SOURCES AND (USES):				
Capital lease proceeds		281,017		281,017
Transfers in (out)	(1,336,046)	1,274,732	61,314	0
 Total Sources (Uses):	(1,336,046)	1,555,749	61,314	281,017
 Excess (Deficit) Revenues and Other Financing Sources Over (Under) Expenditures and Financing Uses	509,199	(43,494)	385,777	851,482
 Fund Balances, Beginning of Year	2,320,090	190,791	1,305,199	3,816,080
 Fund Balances, End of Year	\$ 2,829,289	\$ 147,297	\$ 1,690,976	\$ 4,667,562

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

EASTLAND COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Net change in fund balances - total governmental funds	\$	851,482
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase net position.		802,071
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(600,095)
The issuance of long-term debt provides current financial resources to government, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The net effect of the issuance of long-term debt is to decrease net position.		(281,017)
The change in net pension liability and the related deferred outflows and inflows of resources reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as an expenditure in the governmental funds.		(179,666)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing gains and losses on the sale of fixed assets based on book value and the adjustment of other accrual accounts. The net effect of these reclassifications and recognitions is to increase net position.		<u>(3,879)</u>
Change in net position of governmental activities	\$	<u>588,896</u>

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

EASTLAND COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2016

	<u>Employee Retirement Funds</u>	<u>Agency Funds</u>
ASSETS:		
Cash and cash equivalents	\$	\$ 1,671,688
Certificates of deposit and savings		150,074
Due from others		10,260
Investments at fair value	<u>304,162</u>	
Total Assets	<u>304,162</u>	<u>1,832,022</u>
 LIABILITIES:		
Accrued liabilities		106,678
Due to others		1,723,712
Bonds held in trust		<u>1,632</u>
Total Liabilities	<u>0</u>	<u>1,832,022</u>
 NET POSITION:		
Held in trust for pension benefits and other purposes	<u>\$ 304,162</u>	<u>\$ 0</u>

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

EASTLAND COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended September 30, 2016

	<u>Employee Retirement Funds</u>
ADDITIONS:	
Contributions:	
Employee	\$ <u>32,597</u>
Investment Earnings:	
Investment gains	16,523
Less Investment Expenses:	
Asset fees	<u>1,269</u>
Net Investment Gain	<u>15,254</u>
Total Additions	<u>47,851</u>
DEDUCTIONS:	
Benefits paid	<u>19,902</u>
Net increase	27,949
Net Position - Beginning of Year	<u>276,213</u>
Net Position - End of Year	<u>\$ <u>304,162</u></u>

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

NOTES TO FINANCIAL STATEMENTS

EASTLAND COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

NOTE 1: REPORTING ENTITY

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution. Eastland County (the "County") operates under a county judge/commissioners court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants Audit and Accounting Guide entitled *State and Local Governments*.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions, and authorities for which the County is financially accountable. The County has also considered all other potential organizations for which the nature and significance of their relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, and 1) the ability of the County to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the County. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

NOTE 2: GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues. The statement of net position and the statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The general fund is the primary operating fund of the County and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the County. The following special revenue fund is reported as a major fund:

Road and Bridge Fund – The road and bridge fund is established to account for the resources devoted to maintaining the County’s roads and bridges.

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

Non-spendable, 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).

Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resources providers, or through enabling legislation.

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).

Assigned fund balance classification includes amounts intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual classification for the County’s general fund and includes all spendable amounts not contained in the other classifications.

Non-spendable Fund Balance

The County's non-spendable fund balance as of September 30, 2016 totaling \$62,699 relates to prepaid insurance.

Restricted Fund Balance

The County's restricted fund balance as of September 30, 2016, which relates to use of external resources and resources created by enabling legislation for the purpose of the legislation, is comprised of the following:

<u>Restriction</u>	<u>Amount</u>
Texas Department of Criminal Justice grants and contracts	\$ 327,377
District attorney forfeitures	262,441
Record and statistic preservation	179,994
Road maintenance	147,297
Court technology	88,990
Law library	76,057
Courthouse security	72,039
Jury fund	26,950
Record archival	99,548
Other grants	315,136
Sheriff commissary	21,809
Law enforcement officers standards and education	18,014
Election service	11,744
Sheriff seizure	<u>2,008</u>
Total Restricted Fund Balance	\$ <u>1,649,404</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. The County's committed fund balance as of September 30, 2016 is comprised of the following:

<u>Commitment</u>	<u>Amount</u>
County Infrastructure Transportation Reinvestment Zone	\$ <u>140</u>
Total Committed Fund Balance	\$ <u>140</u>

Assigned Fund Balance

The County's management has the authority to assign funds in accordance with various internal programs. The County's assigned fund balance as of September 30, 2016 is comprised of the following:

<u>Assignment</u>	<u>Amount</u>
County farm	\$ 58,417
Cooperative dispatch	127,729
Historical commission	<u>2,723</u>
Total Assigned Fund Balance	\$ <u>188,869</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; 4) Unassigned.

Fiduciary Funds

The County reports the following fiduciary fund types:

Agency Funds – Accounts for assets the County holds on behalf of others as their agent. They are custodial in nature (assets equal liabilities), and do not involve measurement or results of operations.

Employee Retirement Fund – Accounts for resources that are required to be held in trust for the members and beneficiaries of the deferred compensation plan.

Measurement Focus/Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure, and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

Budget

The County's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending September 30.

The County Auditor submits an annual budget to the County Commission in accordance with state law. In September, the County Commission adopts annual fiscal year budgets for specified County funds. Budgets for the general fund are adopted on a basis consistent with U.S. generally accepted accounting principles. The budget is properly amended throughout the year and is filed with the County Clerk.

Budgeted amounts are as originally adopted, or as amended during the fiscal year by the Commissioners' Court.

Cash and Cash Equivalents

Cash and cash equivalents reflected in the financial statements includes petty cash and cash in banks. Petty cash amounts are maintained in various County offices for purposes of collections of payments made to the County.

For purposes of reporting cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

Property Tax Calendar

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 located in the County in conformity with Subtitle E, Texas Property Tax Code. 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 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Capital Assets

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the statement of net position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the assets. Donated fixed assets are recorded at their estimated fair value at the date of donation. The County’s infrastructure network is valued at historical cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets’ estimated useful lives using the straight line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Building improvements	15
Vehicles	5
Equipment	5-10
Office equipment	5-7
Infrastructure	20-40

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Equity Classification

Government-Wide Statements

Equity is classified as net position and displayed in two components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Unrestricted net position – All other net position that do not meet the definition of the “restricted” or “invested in capital assets, net of related debt”.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

Use of Estimates

The preparation of financial statements by the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through May 15, 2017, the date the financial statements were available to be issued.

NOTE 3: LEGAL COMPLIANCE - BUDGETS

The County’s budgetary process requires that expending agencies of the County submit appropriation requests by mid May of each year. After review by the budget officer and department heads, the requests are combined and submitted to the Commissioners’ Court. In August, the proposed budget is filed with the County Clerk for public inspection at least fifteen days prior to hearings, which are open to the public. A final budget must be adopted prior to October 1. At the fund level, actual expenditures cannot exceed budgeted appropriations.

NOTE 4: CASH AND INVESTMENTS

In addition to the \$250,000 insurance on accounts provided by Federal Deposit Insurance Corporation (“FDIC”) regulations, securities in the amount of \$11,179,698 were pledged by the depository bank to secure all bank deposits and investments. The largest cash balance amounted to \$5,884,491 and occurred on March 7, 2016. The pledged securities plus FDIC coverage were sufficient to cover the largest cash balance for the County. Cash deposits at September 30, 2016, totaling \$5,022,874 (all funds), were in checking or money market accounts during the year which are allowable types of deposits.

For an indication of the level of risk assumed by the District, all cash deposits are categorized as Category 1, insured by FDIC or collateralized with securities held by the County (or public trust) or by its agent in its name.

Statutes authorize the County to invest in the State’s investment pool. The County’s investments held at September 30, 2015, are not subject to classifications where securities related to the government cannot be identified. Investments at September 30, 2016 included certificates of deposit totaling \$2,397,350.

Investments

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

Investment Policy

The County has adopted the provisions of GASB Statement No. 31, “Accounting and Financial Reporting for Certain Investments and for External Pools” (“Statement”). Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost, and that the changes in the fair value of investments be recognized as investment revenue. The Statement further provides that the County has the option of continuing to report certain investments at cost or amortized cost, but must disclose its policy in that regard.

In accordance with the Statement, 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 non-participating interest-earning investment contracts using the cost-based measure. However, if the 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 that 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 deposits are examples of nonparticipating interest-earning investment contracts. The cost basis was equivalent to the fair value of the investments at year end.

Public Funds Investments Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its share.

The County’s investments in Pools are reported at an amount determined by the fair value per share of the Pool’s underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one, which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

Investment Risks

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investments risks at year end and if so, the reporting of certain related disclosures.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2016, the County was not exposed to credit risk.

Custodial credit risk relates to deposits that are exposed to the risk that they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities, held by the pledging financial institution, or collateralized with securities held by the

pledging financial institution's trust department or agent but not in the County's name. At September 30, 2016, the County was not exposed to custodial credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At September 30, 2016, the County was not exposed to concentration of credit risk.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. At September 30, 2016, the County was not exposed to interest rate risk.

Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2016, the County was not exposed to foreign currency risk.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016, follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Non-depreciable assets:				
Land and improvements	\$ 158,678	\$ _____	\$ _____	\$ 158,678
Depreciable assets:				
Buildings and improvements	4,541,826	132,008		4,673,834
Furniture and equipment	6,630,528	530,492	(129,718)	7,031,302
Infrastructure – roads and bridges	21,209,599			21,209,599
Total at historical cost	<u>32,381,953</u>	<u>662,500</u>	<u>(129,718)</u>	<u>32,914,735</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,261,474)	(131,518)		(2,392,992)
Furniture and equipment	(4,359,819)	(398,230)	43,523	(4,714,526)
Infrastructure – roads and bridges	<u>(20,285,410)</u>	<u>(70,347)</u>		<u>(20,355,757)</u>
Total accumulated depreciation	<u>(26,906,703)</u>	<u>(600,095)</u>	<u>43,523</u>	<u>(27,463,275)</u>
Governmental activity capital assets, net	<u>\$ 5,633,928</u>	<u>\$ 62,405</u>	<u>\$ (86,195)</u>	<u>\$ 5,610,138</u>

Depreciation expense was charged to functions as follows:

General government	\$ 92,389
Public safety	23,544
Public facilities	116,156
Road and bridge	<u>368,006</u>
	<u>\$ 600,095</u>

NOTE 6: LONG-TERM OBLIGATIONS

As of September 30, 2016, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Capital leases:

A capital lease obtained for the purchase of equipment, payable in annual installments of \$39,538 including interest at 2.21%, secured by equipment, final payment due March 2018.	\$ 75,584
A capital lease obtained for the purchase of equipment, payable in annual installments of \$47,575 including interest at 1.97%, secured by the vehicle, final payment due February 2018.	91,954
A capital lease obtained for the purchase of a vehicle, payable in annual installments of \$32,530 including interest at 2.16%, secured by the vehicle, final payment due April 2018.	62,359
A capital lease obtained for the purchase of equipment, payable in annual installments of \$9,228 including interest at 2.80%, secured by equipment, final payment due August 2017.	<u>281,017</u>
Total capital leases	\$ <u>510,914</u>

Changes in long-term obligations for the year ended September 30, 2016, are as follows:

	<u>October 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2016</u>	<u>Amount Due Within One Year</u>
Capital leases	\$ 422,266	\$ 281,017	\$ (192,369)	\$ 510,914	\$ 169,218
Net pension liability	1,252,553	866,999		2,119,552	0
Compensated absences	134,816		(2,743)	132,073	132,073

Interest expense on long-term obligations during the year ended September 30, 2016 totaled \$9,801.

The County is obligated under leases accounted for as capital leases. Capital assets with an original cost basis of \$660,212 were acquired under the capital leases. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2016.

<u>Year Ending September 30,</u>	
2017	\$ 179,569
2018	179,569
2019	59,925
2020	59,925
2021	<u>59,922</u>
Minimum lease payments for capital lease	538,910
Less: Amount representing interest	<u>(27,996)</u>
Present value of minimum lease payments	\$ <u>510,914</u>

NOTE 7: FEDERAL/STATE SOURCE REVENUES

The majority of the federal grant funds received are for strengthening homeland security, bio terrorism, and voting facilities. State grant funds received and recorded in the general fund are primarily for tobacco grants, salary supplements, and additional law enforcement personnel. These grant funds have been awarded and accounted for by the County.

NOTE 8: EMPLOYEE RETIREMENT PLANS

Pension Plan Description

The County provides pension, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 575 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.

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 regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service 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 with 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 contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

As of the most recent measurement date which was December 31, 2015, membership data for the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	67
Inactive employees entitled to but not yet receiving benefits	71
Active employees	123
Total participants	<u>261</u>

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer, based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 11.89% from October 2015 through December 2015 and 11.57% from January 2016 through September 2016. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

For the employer’s accounting year ending September 30, 2016, the annual pension cost for the TCDRS plan for its employees was \$473,351 and the actual contributions were \$473,351.

Net Pension Liability

The net pension liability (NPL) is the difference between the total pension liability (TPL) and the plan's fiduciary net position. The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service. The fiduciary net position is determined on the same basis used by the pension plans. The County's NPL was measured as of December 31, 2015, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date.

Total pension liability	\$	15,123,037
Fiduciary net position		<u>13,003,485</u>
Net pension liability	\$	<u><u>2,119,552</u></u>

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of actuarial experience studies. The experience study was for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB Statement No. 68.

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

Inflation	3.00%	
Overall payroll growth	3.50%	
Investment rate of return	8.10%	This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, was based on the gender-specific RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year set-back for females, both with the projection scale AA and then projected with 110% of the MP-2014 Ultimate scale after that. For service retirees, beneficiaries, and non-depositing members, the gender-specific RP-2000 Combined Mortality Table with the projection scale AA and then projected with 110% of the MP-2014 Ultimate scale after that and a one-year set-forward for males and no age adjustment for females was used. For disabled annuitants, gender-specific RP-2000 Disabled Mortality Table is used with slight adjustments and then projected with 110% of the MP-2014 Ultimate scale after that.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed based on expected long-term real returns and reflecting expected volatility and correlation. The valuation assumption for the long-term expected return is re-assessed at a minimum of every four years and is set based on a thirty-year time horizon. The most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized below:

Asset Class	Target Allocation	Geometric Real Rate of Return (expected minus inflation)
US Equities	14.50%	5.45%
Private Equity	14.00%	8.45%
Global Equities	1.50%	5.75%
International Equities - Developed	10.00%	5.45%
International Equities - Emerging	8.00%	6.45%
Investment Grade Bonds	3.00%	1.00%
High-Yield Bonds	3.00%	5.10%
Opportunistic Credit	2.00%	5.09%
Direct Lending	5.00%	6.40%
Distressed Debt	3.00%	8.10%
REIT Equities	3.00%	4.00%
Master Limited Partnerships	3.00%	6.80%
Private Real Estate Partnerships	5.00%	6.90%
Hedge Funds	25.00%	5.25%

The discount rate used to measure the total pension liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Schedule of Changes in the Net Pension Liability

Changes in the County's net pension liability presented below is calculated on the same basis as the plan.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of December 31, 2014	\$ 14,321,064	\$ 13,068,510	\$ 1,252,554
Changes for the year:			
Service cost	535,292		535,292
Interest on total pension liability	1,151,817		1,151,817
Effect of plan changes	(84,266)		(84,266)
Effect of economic / demographic gains or losses	(143,620)		(143,620)
Effect of assumption or plan changes	183,804		183,804
Refund of contributions	(96,617)	(96,617)	0
Benefit payments	(744,437)	(744,437)	0
Administrative expenses		(9,378)	9,378
Member contributions		289,578	(289,578)
Net investment income		(44,609)	44,609
Employer contributions		491,868	(491,868)
Other		48,570	(48,570)
Balances as of December 31, 2015	\$ 15,123,037	\$ 13,003,485	\$ 2,119,552

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County calculated using the discount rate of 8.10% as well as what the County net pension liability would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

	1% Decrease <u>(7.10%)</u>	Current Rate <u>(8.10%)</u>	1% Increase <u>(9.10%)</u>
Total pension liability	\$ 16,914,459	\$ 15,123,037	\$ 13,618,996
Fiduciary net position	<u>13,003,485</u>	<u>13,003,485</u>	<u>13,003,485</u>
Net pension liability (asset)	\$ <u>3,910,974</u>	\$ <u>2,119,552</u>	\$ <u>615,511</u>

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the County recognized total pension expense of \$692,289.

As of September 30, 2016, the County reported on the Statement of Net Position deferred outflows of resources related to pensions from the following sources:

Contributions subsequent to measurement date	\$ 539,635
Difference between projected and actual investment earnings	799,441
Change of assumptions	110,913
Difference between expected and actual experience	<u>(87,951)</u>
Total	\$ <u>1,362,038</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$539,635 will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Remaining net deferred outflows of resources related to pensions totaling \$822,403 will be recognized in pension expense for the years ending September 30, 2017, 2018, 2019, and 2020 in the amounts of \$66,584, \$266,337, \$267,137, and \$222,345, respectively.

Supplemental Death Benefits Plan

The County also participates in the TCDRS group term life program. The County elected to provide group-term life insurance coverage to both current and retired employees. The County may discontinue participation in the program with Commissioner's Court approval. The coverage termination would be effective on the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the twelve-month period preceding the month of death) and retired employees are insured for \$5,000. This coverage is another post-employment benefit or OPEB.

The County contributes to the group term life program at a contractually required rate as determined by an actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employee's entire careers.

The County's contribution to the group term life program for the years ended September 30, 2016, 2015, and 2014 totaled \$21,630, \$21,850, and \$20,996, respectively, which equaled the required contributions each year.

Other Post-Employment Benefits (OPEB)

The County provides medical benefits to eligible retirees. The retiree pays 100% of the contribution for the medical and dental coverage tier elected. All active employees who retire directly from the County and meet the eligibility criteria may participate. Eligibility requirements are the same as those of the pension plan above. The Texas Association of Counties Health and Employee Benefits Pool administers the plan and benefits include but are not limited to supplements for inpatient hospital services, skilled nursing facility care, lab work, hospice, home health, durable medical equipment, and other medical services. The Commissioners' Court has the authority to continue, cancel, or otherwise amend the availability of these post-employment benefits.

Funding Policy

The retiree pays the full contribution rate for medical coverage. However, there is an implicit employer subsidy since the active employee rates are used rather than a separately determined retiree rate.

Annual OPEB Cost

For the employer's accounting year ending September 30, 2016, the annual OPEB cost for the medical plan for its retirees was \$9,630 and the actual contributions were \$0.

The required contribution was determined as part of the October 1, 2015 actuarial valuation using the projected unit cost method. The actuarial assumptions at October 1, 2015 included (a) 4.5 percent discount rate (including inflation), and (b) projected health care cost trend of 5.0 percent. Both (a) and (b) included an inflation component of 3.0 percent. The period used to determine amortization costs for the initial unfunded actuarial accrued liability is a level period for 30 years.

Funded Status and Funding Progress

As of October 1, 2015, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$67,218, and the actuarial value of assets was \$0, resulting in unfunded actuarial accrued liability (UAAL) of \$67,218. The covered payroll (annual payroll of active employees covered by the plan) was \$3,578,557, and the ratio of the UAAL to the covered payroll was 1.88 percent.

Trend Information for Eastland County, Texas

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/14	\$ 12,520	0%	\$ 12,520
09/30/15	7,061	0%	19,581
09/30/16	9,630	0%	29,211

Actuarial Valuation Information

Actuarial valuation date	10/1/13	10/1/14	10/1/15
Actuarial cost method	projected unit cost	projected unit cost	projected unit cost
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period (initial)	30	30	30
Assumptions:			
Real rate of return	1.50%	1.50%	1.50%
Inflation	3.00%	3.00%	3.00%
Healthcare cost trend	5.00%	5.00%	5.00%

Deferred Compensation Plan

The County established a 457 deferred compensation plan administered by Nationwide Retirement Solutions to provide additional employee benefits for general employees of the County. Contributions to the plan are optional and the County does not provide any employer funding. Plan provisions and contribution requirements are established and may be amended by the County Commissioners. The plan is included as a fiduciary fund and prepared using the accrual basis of accounting. Contributions to the plan are recognized in the period that the contributions are received. Employee contributions for the year ended September 30, 2016, totaled \$32,597. Plan investments are reported at fair value based on quoted market prices if traded on a national exchange or at estimated fair value.

NOTE 9: DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the County will sometimes 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 will not be recognized as an outflow of resources (expense / expenditure) until then. See Note 8 above regarding employee retirement plans for items reported in this category on the Statement of Net Position totaling \$1,362,038 as of September 30, 2016.

In addition to liabilities, the County will sometimes 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 will not be recognized as an inflow of resources (revenue) until that time.

NOTE 10: RISK MANAGEMENT

The County's risks of significant losses from auto and property damage and general, law enforcement, and public official liability are covered by participation in the Texas Association of counties (TAC) Risk Management Pool. Coverage with TAC is handled like commercial insurance by both parties. There have been no significant reductions in insurance coverage for the current year.

NOTE 11: INTERFUND TRANSACTIONS

The composition of interfund balances as of September 30, 2016, are as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Road and bridge fund	\$ 11,541
Other governmental funds	General fund	<u>2,233</u>
		\$ <u><u>13,774</u></u>

The above balances reflect temporary cash advances.

Transfers:

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General fund	Road and bridge fund	\$ 1,215,027
	Courthouse security fund	135,846
Grants fund	General fund	3,750
Grants fund	Road and bridge fund	59,705
Cooperative dispatch	General Fund	<u>11,077</u>
		\$ <u>1,425,405</u>

NOTE 12: DEFICIT FUND EQUITY

There were no funds with a fund balance deficit as of the fiscal year end.

*REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS*

EASTLAND COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget Positive or (Negative)
	Original	Final		
Budgetary fund balances, October 1	\$ 675,951	\$ 155,746	\$ 2,320,090	\$ 2,164,344
RESOURCES (INFLOWS):				
Taxes	6,977,380	6,979,541	7,016,371	36,829
Grants and contributions	84,004	138,742	133,608	(5,134)
Charges for services	779,625	779,625	777,651	(1,974)
Fines and forfeitures	612,500	612,500	566,852	(45,648)
Interest	9,000	9,000	14,896	5,896
Other	253,949	536,189	415,168	(121,021)
Amounts available for appropriation	8,716,458	9,055,597	8,924,545	(131,052)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
General government	2,725,382	2,745,232	2,565,936	179,295
Judicial and legal	1,476,388	1,491,617	1,375,600	116,017
Public safety	2,565,840	2,643,010	2,472,233	170,776
Public facilities	374,428	420,242	318,673	101,569
Health and welfare	388,024	388,037	384,565	3,472
Transfers out	1,374,413	1,484,413	1,374,413	110,000
Total charges to appropriations	8,904,476	9,172,550	8,491,420	681,130
Budgetary fund balances, September 30	\$ 487,933	\$ 38,793	\$ 2,753,215	\$ 2,714,422

Notes to Budgetary Comparison Schedule - General Fund

Note 1: Basis of Accounting

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental fund in the basic financial statements. Revenues are recognized as soon as they are both measurable and available and expenditures are recorded when a liability is incurred, as under accrual accounting.

EASTLAND COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND

For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget Positive/ (Negative)
	Original	Final		(Negative)
Budgetary fund balances, October 1	\$ (1,865,323)	\$ (3,677,275)	\$ 190,791	\$ 3,868,066
RESOURCES (INFLOWS):				
Taxes	27,424	68,225	95,665	27,439
Grants and contributions	0	0	0	0
Charges for services	415,000	415,000	456,920	41,920
Interest	850	850	1,216	366
Other	0	10,546	10,554	8
Capital lease proceeds	0	0	281,017	281,017
Transfers in	1,234,413	1,404,117	1,294,117	(110,000)
Amounts available for appropriation	1,677,687	1,898,739	2,139,489	240,751
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Current:				
Road and bridge	1,677,687	1,926,163	1,901,376	24,786
Total charges to appropriations	1,677,687	1,926,163	1,901,376	24,786
Budgetary fund balances, September 30	\$ (1,865,323)	\$ (3,704,699)	\$ 428,904	\$ 4,133,603

Notes to Budgetary Comparison Schedule - Road and Bridge Fund

Note 1: Basis of Accounting

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental fund in the basic financial statements. Revenues are recognized as soon as they are both measurable and available and expenditures are recorded when a liability is incurred, as under accrual accounting.

EASTLAND COUNTY, TEXAS

*SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - PENSION PLAN*

For the Year Ended September 30, 2016 *

	Measurement Date <u>12/31/2015</u>	Measurement Date <u>12/31/2014</u>
Total Pension Liability:		
Service cost	\$ 535,292	\$ 500,363
Interest on total pension liability	1,151,817	1,078,571
Effect of plan changes	(84,266)	99,949
Effect of assumption or plan changes	183,804	0
Effect of economic / demographic (gains) or losses	(143,620)	(3,198)
Benefit payments / refunds of contributions	<u>(841,055)</u>	<u>(737,646)</u>
Net change in total pension liability	<u>801,972</u>	<u>938,039</u>
Total pension liability, beginning	<u>14,321,064</u>	<u>13,383,025</u>
Total pension liability, ending (a)	<u>15,123,036</u>	<u>14,321,064</u>
Fiduciary Net Position:		
Employer contributions	491,868	458,481
Member contributions	289,578	266,558
Investment income net of investment expenses	(44,609)	828,598
Benefit payments / refunds of contributions	(841,055)	(737,646)
Administrative expenses	(9,378)	(9,755)
Other	<u>48,570</u>	<u>(5,233)</u>
Net change in fiduciary net position	<u>(65,026)</u>	<u>801,003</u>
Fiduciary net position, beginning	<u>13,068,510</u>	<u>12,267,507</u>
Fiduciary net position, ending (b)	<u>13,003,484</u>	<u>13,068,510</u>
Net pension liability, ending ((a) - (b))	<u>\$ 2,119,552</u>	<u>\$ 1,252,554</u>
Fiduciary net position as a % of total pension liability	85.98%	91.25%
Pensionable covered payroll	\$ 4,136,826	\$ 3,807,966
Net pension liability as a % of covered payroll	51.24%	32.89%

* A full 10-year schedule will be displayed as it becomes available

EASTLAND COUNTY, TEXAS

SCHEDULE OF CONTRIBUTIONS - PENSION PLAN

For the Last Ten Fiscal Years *

Period Ending December 31, (Measurement Date)	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	\$ 242,210	\$ 266,964	\$ (24,754)	\$ 2,426,949	11.00%
2007	265,604	283,931	(18,327)	2,581,189	11.00%
2008	300,028	322,296	(22,268)	2,929,962	11.00%
2009	314,164	327,875	(13,711)	2,980,682	11.00%
2010	331,582	335,856	(4,274)	3,053,238	11.00%
2011	339,521	347,421	(7,900)	3,158,334	11.00%
2012	363,836	363,836	0	3,228,287	11.27%
2013	415,511	415,511	0	3,518,322	11.81%
2014	458,481	458,481	0	3,807,966	12.04%
2015	491,868	491,868	0	4,136,826	11.89%

Notes to Schedule of Contributions:

Valuation date: Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	14.1 years
Asset Valuation Method	5 year smoothed value
Inflation	3%
Salary Increases	4.9% including inflation
Investment Rate of Return	8.00%
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule **	Effective with the 2015 calendar year, employer contributions reflect that a 2% flat COLA was adopted

* A full 10-year schedule will be displayed as it becomes available

** Only changes effective 2015 and later are shown in the Notes to Schedule

EASTLAND COUNTY, TEXAS

SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS

For the Year Ended September 30, 2016

Actuarial valuation date	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>
Actuarial value of assets	\$ 0	\$ 0	\$ 0
Actuarial accrued liability (AAL)	\$ 78,941	\$ 47,350	\$ 67,218
Unfunded AAL (UAAL)	\$ 78,941	\$ 47,350	\$ 67,218
Funded ratio	0.00%	0.00%	0.00%
Annual covered payroll (actuarial)	\$ 3,313,722	\$ 3,498,583	\$ 3,578,557
UAAL as a percentage of covered payroll	2.38%	1.35%	1.88%

*SUPPLEMENTARY INFORMATION - COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS*

EASTLAND COUNTY, TEXAS

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2016

	<u>Grants</u>	<u>Adult Probation</u>	<u>Cooperative Dispatch</u>	<u>Constable LEOSE</u>	<u>County Clerk Record Archival</u>
ASSETS					
Cash and cash equivalents	\$ 315,136	\$ 274,912	\$ 119,847	\$ 8,357	\$ 118,906
Investments			30,000		
Due from other funds					540
Due from other governments		<u>29,330</u>			
Total Assets	<u>\$ 315,136</u>	<u>\$ 304,242</u>	<u>\$ 149,847</u>	<u>\$ 8,357</u>	<u>\$ 119,446</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$	\$ 1,704	\$ 738	\$	\$ 30,000
Accrued wages		21,581	21,380		
Due to other governments					
Total Liabilities	<u>0</u>	<u>23,285</u>	<u>22,118</u>	<u>0</u>	<u>30,000</u>
Fund Balances:					
Restricted	315,136	280,957		8,357	89,446
Assigned			<u>127,729</u>		
Total Fund Balance	<u>315,136</u>	<u>280,957</u>	<u>127,729</u>	<u>8,357</u>	<u>89,446</u>
Total Liabilities and Fund Balance	<u>\$ 315,136</u>	<u>\$ 304,242</u>	<u>\$ 149,847</u>	<u>\$ 8,357</u>	<u>\$ 119,446</u>

County Clerk Records Management	County Farm	Courthouse Security	D.A. E.C.C.C.	D.A. Forfeiture	D.A. LEOSE	D.A. State Allocation
\$ 101,685	\$ 28,417 30,000	\$ 80,238	\$ 26,246	\$ 226,894	\$ 1,052	\$ 9,687
540		161 344				
<u>\$ 102,225</u>	<u>\$ 58,417</u>	<u>\$ 80,743</u>	<u>\$ 26,246</u>	<u>\$ 226,894</u>	<u>\$ 1,052</u>	<u>\$ 9,687</u>
\$ 178	\$	\$ 71 8,633	\$ 386	\$	\$	\$
<u>178</u>	<u>0</u>	<u>8,704</u>	<u>386</u>	<u>0</u>	<u>0</u>	<u>0</u>
102,047	58,417	72,039	25,860	226,894	1,052	9,687
<u>102,047</u>	<u>58,417</u>	<u>72,039</u>	<u>25,860</u>	<u>226,894</u>	<u>1,052</u>	<u>9,687</u>
<u>\$ 102,225</u>	<u>\$ 58,417</u>	<u>\$ 80,743</u>	<u>\$ 26,246</u>	<u>\$ 226,894</u>	<u>\$ 1,052</u>	<u>\$ 9,687</u>

EASTLAND COUNTY, TEXAS

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

September 30, 2016

	Dist. Clerk Records Management & Preservation	Election Service	Justice Court Technology	Juvenile Probation	Law Library
ASSETS					
Cash and cash equivalents	\$ 15,914	\$ 11,744	\$ 79,836	\$ 67,236	\$ 75,782
Investments					
Due from other funds	90				525
Due from other governments			344		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 16,004</u>	<u>\$ 11,744</u>	<u>\$ 80,180</u>	<u>\$ 67,236</u>	<u>\$ 76,307</u>
LIABILITIES AND FUND EQUITIES					
Liabilities:					
Accounts payable	\$	\$	\$ 414	\$ 4,048	\$ 250
Accrued wages				11,378	
Due to other governments				5,390	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>414</u>	<u>20,816</u>	<u>250</u>
Fund Balances:					
Restricted	16,004	11,744	79,766	46,420	76,057
Assigned					
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>16,004</u>	<u>11,744</u>	<u>79,766</u>	<u>46,420</u>	<u>76,057</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 16,004</u>	<u>\$ 11,744</u>	<u>\$ 80,180</u>	<u>\$ 67,236</u>	<u>\$ 76,307</u>

<u>Records Management and Preservation</u>	<u>Sheriff's LEOSE</u>	<u>Sheriff's Commissary</u>	<u>Historical Commission</u>	<u>Vital Statistics Preservation</u>	<u>Jury Fund</u>
\$ 39,340	\$ 8,605	\$ 21,809	\$ 2,903	\$ 3,030	\$ 26,947
130				7	3
<u>39,470</u>	<u>8,605</u>	<u>21,809</u>	<u>2,903</u>	<u>3,037</u>	<u>26,950</u>
\$	\$	\$	\$ 180	\$	\$
<u>0</u>	<u>0</u>	<u>0</u>	<u>180</u>	<u>0</u>	<u>0</u>
39,470	8,605	21,809	2,723	3,037	26,950
<u>39,470</u>	<u>8,605</u>	<u>21,809</u>	<u>2,723</u>	<u>3,037</u>	<u>26,950</u>
<u>\$ 39,470</u>	<u>\$ 8,605</u>	<u>\$ 21,809</u>	<u>\$ 2,903</u>	<u>\$ 3,037</u>	<u>\$ 26,950</u>

EASTLAND COUNTY, TEXAS

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

September 30, 2016

	Dist. Court Records Preservation	Court Technology	District Clerk Record Archival	Sheriff's Seizure Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 19,286	\$ 9,224	\$ 11,596	\$ 2,008	\$ 1,706,637
Investments					60,000
Due from other funds	150		90		2,233
Due from other governments					30,021
Total Assets	\$ 19,436	\$ 9,224	\$ 11,686	\$ 2,008	\$ 1,798,891
LIABILITIES AND FUND EQUITIES					
Liabilities:					
Accounts payable	\$	\$	\$ 1,584	\$	\$ 39,375
Accrued wages					63,150
Due to other governments					5,390
Total Liabilities	0	0	1,584	0	107,915
Fund Balances:					
Restricted	19,436	9,224	10,102	2,008	1,502,107
Assigned					188,869
Total Fund Balance	19,436	9,224	10,102	2,008	1,690,976
Total Liabilities and Fund Balance	\$ 19,436	\$ 9,224	\$ 11,686	\$ 2,008	\$ 1,798,891

EASTLAND COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2016

	<u>Grants</u>	<u>Adult Probation</u>	<u>Cooperative Dispatch</u>	<u>Constable LEOSE</u>	<u>County Clerk Record Archival</u>
REVENUES:					
Grants and contributions	\$ 350,807	\$ 168,084	\$	\$ 1,329	\$
Charges for services		370,568	492,067		38,805
Fines and forfeitures					
Interest		881	65	24	267
Other		1,219			
	<u>350,807</u>	<u>540,752</u>	<u>492,132</u>	<u>1,353</u>	<u>39,072</u>
Total Revenues					
EXPENDITURES:					
Current:					
General government					
Judicial and legal	4,187	527,246			30,000
Public safety			441,778	1,753	
Public facilities					
Health and welfare					
	<u>4,187</u>	<u>527,246</u>	<u>441,778</u>	<u>1,753</u>	<u>30,000</u>
Total Expenditures					
Excess (Deficit) Revenues Over Expenditures	<u>346,620</u>	<u>13,506</u>	<u>50,354</u>	<u>(400)</u>	<u>9,072</u>
OTHER FINANCING SOURCES:					
Transfers in (out)	<u>(63,454)</u>		<u>(11,077)</u>		
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing Uses	<u>283,166</u>	<u>13,506</u>	<u>39,277</u>	<u>(400)</u>	<u>9,072</u>
Fund Balance, Beginning of Year	<u>31,970</u>	<u>267,451</u>	<u>88,452</u>	<u>8,757</u>	<u>80,374</u>
Fund Balance, End of Year	<u>\$ 315,136</u>	<u>\$ 280,957</u>	<u>\$ 127,729</u>	<u>\$ 8,357</u>	<u>\$ 89,446</u>

County Clerk Records Management	County Farm	Courthouse Security	D.A. E.C.C.C.	D.A. Forfeiture	D.A. LEOSE	D.A. State Allocation
\$ 39,799	\$	\$ 11,500	\$ 5,403	\$	\$ 788	\$ 36,667
291	139	361	70	13,337		7
	<u>1,686</u>			<u>595</u>		
<u>40,090</u>	<u>1,825</u>	<u>29,048</u>	<u>5,473</u>	<u>13,932</u>	<u>788</u>	<u>36,674</u>
42,567			5,589			27,500
		175,656			377	
	<u>10,821</u>					
<u>42,567</u>	<u>10,821</u>	<u>175,656</u>	<u>5,589</u>	<u>0</u>	<u>377</u>	<u>27,500</u>
<u>(2,477)</u>	<u>(8,996)</u>	<u>(146,608)</u>	<u>(116)</u>	<u>13,932</u>	<u>411</u>	<u>9,174</u>
		135,845				
<u>(2,477)</u>	<u>(8,996)</u>	<u>(10,763)</u>	<u>(116)</u>	<u>13,932</u>	<u>411</u>	<u>9,174</u>
<u>104,524</u>	<u>67,413</u>	<u>82,802</u>	<u>25,976</u>	<u>212,962</u>	<u>641</u>	<u>513</u>
<u>\$ 102,047</u>	<u>\$ 58,417</u>	<u>\$ 72,039</u>	<u>\$ 25,860</u>	<u>\$ 226,894</u>	<u>\$ 1,052</u>	<u>\$ 9,687</u>

EASTLAND COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended September 30, 2016

	Dist. Clerk Records Management & Preservation	Election Service	Justice Court Technology	Juvenile Probation	Law Library
REVENUES:					
Grants and contributions	\$	\$	\$	\$ 255,531	\$
Charges for services	2,138		9,724		8,212
Fines and forfeitures				334	
Interest	40	32	202	181	199
Other		632			
Total Revenues	<u>2,178</u>	<u>664</u>	<u>9,926</u>	<u>256,046</u>	<u>8,411</u>
EXPENDITURES:					
Current:					
General government		1,989			
Judicial and legal			8,772	219,074	8,158
Public safety					
Public facilities					
Health and welfare					
Total Expenditures	<u>0</u>	<u>1,989</u>	<u>8,772</u>	<u>219,074</u>	<u>8,158</u>
Excess (Deficit) Revenues Over Expenditures	<u>2,178</u>	<u>(1,325)</u>	<u>1,154</u>	<u>36,972</u>	<u>253</u>
OTHER FINANCING SOURCES:					
Transfers in					
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing	<u>2,178</u>	<u>(1,325)</u>	<u>1,154</u>	<u>36,972</u>	<u>253</u>
Fund Balance, End of Year	<u>13,826</u>	<u>13,069</u>	<u>78,612</u>	<u>9,448</u>	<u>75,804</u>
Fund Balance, End of Year	<u>\$ 16,004</u>	<u>\$ 11,744</u>	<u>\$ 79,766</u>	<u>\$ 46,420</u>	<u>\$ 76,057</u>

Records Management and Preservation	Sheriff's LEOSE	Sheriff's Commissary	Historical Commission	Vital Statistics Preservation	Jury Fund
\$ 11,608	\$ 3,045	\$ 41,148	\$	\$ 944	\$
90		82		34	83
<u>11,698</u>	<u>3,045</u>	<u>41,230</u>	<u>0</u>	<u>978</u>	<u>9,258</u>
6,000			290	12,000	18,157
	1,732	32,817			
<u>6,000</u>	<u>1,732</u>	<u>32,817</u>	<u>290</u>	<u>12,000</u>	<u>18,157</u>
<u>5,698</u>	<u>1,313</u>	<u>8,413</u>	<u>(290)</u>	<u>(11,022)</u>	<u>(8,816)</u>
5,698	1,313	8,413	(290)	(11,022)	(8,816)
<u>33,772</u>	<u>7,292</u>	<u>13,396</u>	<u>3,013</u>	<u>14,059</u>	<u>35,766</u>
<u>\$ 39,470</u>	<u>\$ 8,605</u>	<u>\$ 21,809</u>	<u>\$ 2,723</u>	<u>\$ 3,037</u>	<u>\$ 26,950</u>

EASTLAND COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

For the Year Ended September 30, 2016

	Dist. Court Records Preservation	Court Technology	District Clerk Record Archival	Sheriff's Seizure Fund	Total Nonmajor Governmental Funds
REVENUES:					
Grants and contributions	\$	\$	\$	\$	\$ 827,751
Charges for services	2,972	2,288	1,683		1,044,546
Fines and forfeitures					13,671
Interest	48	22	29	5	3,747
Other					12,795
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	3,020	2,310	1,712	5	1,902,510
EXPENDITURES:					
Current:					
General government					14,279
Judicial and legal			1,584		898,834
Public safety					478,457
Public facilities					175,656
Health and welfare					10,821
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	0	0	1,584	0	1,578,047
Excess (Deficit) Revenues Over Expenditures	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,020	2,310	128	5	324,463
OTHER FINANCING SOURCES:					
Transfers in					61,314
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing Uses	3,020	2,310	128	5	385,777
Fund Balance, End of Year	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	16,416	6,914	9,974	2,003	1,305,199
Fund Balance, End of Year	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 19,436	\$ 9,224	\$ 10,102	\$ 2,008	\$ 1,690,976

*SUPPLEMENTARY INFORMATION - COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS*

EASTLAND COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUNDS

September 30, 2016

	<u>County Clerk</u>	<u>District Clerk</u>	<u>Unclaimed Property Fund</u>	<u>Fees Clearing Account</u>
ASSETS:				
Cash and cash equivalents	\$ 24,124	\$ 55,400	\$ 10,059	\$ 96,608
Certificates of deposit and savings				
Due from others				10,070
Total Assets	<u>24,124</u>	<u>55,400</u>	<u>10,059</u>	<u>106,678</u>
LIABILITIES:				
Accrued liabilities				106,678
Due to others	24,124	55,400	10,059	
Bonds held in trust				
Total Liabilities	<u>24,124</u>	<u>55,400</u>	<u>10,059</u>	<u>106,678</u>
NET POSITION:				
Unrestricted	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

<u>District Clerk Court Fund</u>	<u>Sheriff's Fund</u>	<u>District Registry Fund</u>	<u>District Clerk Trustee Funds</u>	<u>District Attorney Hot Check Fund</u>	<u>District Attorney Trustee Seizure Fund</u>
\$ 219,134	\$ 1	\$ 1,001,982	\$ 63,719	\$ 4,464	\$ 86,355
<u>219,134</u>	<u>1</u>	<u>1,001,982</u>	<u>63,719</u>	<u>4,464</u>	<u>86,355</u>
219,134	1	1,001,982	63,719	4,464	86,355
<u>219,134</u>	<u>1</u>	<u>1,001,982</u>	<u>63,719</u>	<u>4,464</u>	<u>86,355</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

EASTLAND COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUNDS (CONTINUED)

September 30, 2016

	<u>Sheriff's Inmate Fund</u>	<u>Tax Collector VIT Account</u>	<u>Tax Collector Ad Valorem Fund</u>	<u>Tax Collector Auto Fund</u>
ASSETS:				
Cash and cash equivalents	\$ 37,102	\$ 69,951	\$ 29,804	\$ 100,168
Certificates of deposit and savings				
Due from others				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>37,102</u>	<u>69,951</u>	<u>29,804</u>	<u>100,168</u>
LIABILITIES:				
Accrued liabilities				
Due to others	37,102	69,951	29,804	100,168
Bonds held in trust				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>37,102</u>	<u>69,951</u>	<u>29,804</u>	<u>100,168</u>
NET POSITION:				
Unrestricted	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

<u>Justice of the Peace #1</u>	<u>Justice of the Peace #2</u>	<u>Justice of the Peace #4</u>	<u>Adult Supervision and Correction Fund</u>	<u>Total Agency Funds</u>
\$ 16,137	\$ 6,242	\$ 373	\$ 139	\$ 1,671,688
<u>190</u>				<u>150,074</u>
<u>16,327</u>	<u>6,242</u>	<u>373</u>	<u>139</u>	<u>1,832,022</u>
				106,678
15,549	5,388	373	139	1,723,712
<u>778</u>	<u>854</u>			<u>1,632</u>
<u>16,327</u>	<u>6,242</u>	<u>373</u>	<u>139</u>	<u>1,832,022</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

INTERNAL CONTROLS SECTION

May 15, 2017

**The Honorable County Judge and Commissioners
Comprising the Commissioners' Court of
Eastland County, Texas**

**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**

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 Eastland County, Texas as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Eastland County, Texas' basic financial statements, and have issued our report thereon dated May 15, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastland County, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Eastland County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the Eastland County, Texas' 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 over financial reporting was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastland County, Texas' financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Condly and Company, L.L.P.

Certified Public Accountants