

BRISCOE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

BRISCOE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Briscoe County, Texas (the County), as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Briscoe County, Texas as of September 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in the Notes to the Financial Statements under "Summary of Significant Accounting Policies" - in 2017 the County adopted new accounting guidance, *GASB Statement No. 68, "Accounting and Financial Reporting for Pensions: An Amendment of GASB Statement 27"*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, and budgetary comparison information on pages 4 through 10 and 35 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering of the County's internal control over financial reporting and compliance.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

May 20, 2019

BRISCOE COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

This section of Briscoe County's (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2017. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

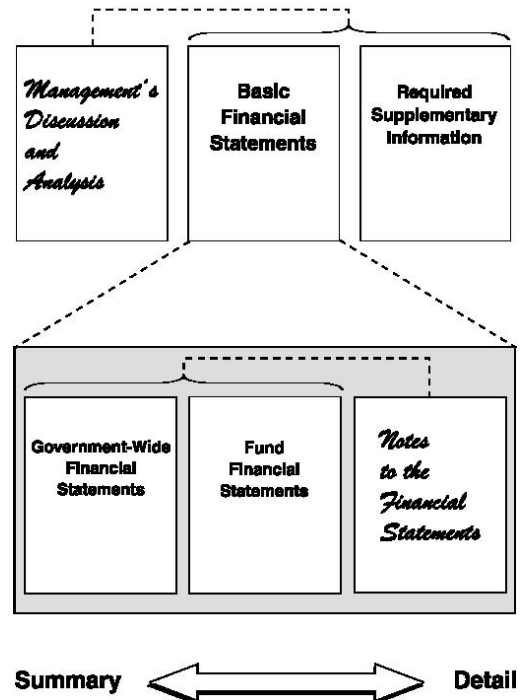
- The County's total combined net position was \$2,315,541 at September 30, 2017. Of this amount, \$1,288,429 (unrestricted net position) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$403,577 less than the \$1,908,642 generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$1,214,283, of which \$1,124,709 is the unassigned fund balance and is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are Government-Wide Financial Statements that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are Fund Financial Statements that focus on individual parts of the government, reporting the County's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Fiduciary Fund statements 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.

Figure A-1. Required Components of the County's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**FIGURE A-2
MAJOR FEATURES OF THE COUNTY'S GOVERNMENT-WIDE AND FUND STATEMENTS**

<i>Type of Statement</i>	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds)	The activities of the County that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for someone else's resources
Required financial statements	Statement of net position	Balance Sheet	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of flow/outflow	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received	All revenues and expenses during year; regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of the County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Page 11) presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 12) presents 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 related cash flows.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general government, public safety, road and bridge, extension services, culture and recreation. These activities are financed primarily by property taxes and grants.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. The County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes.

The County has two types of funds:

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on pages 14 and 16 of the basic financial statements section.

The County maintains three individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Road and Bridge Fund, and Jury Fund.

The County adopts an annual appropriated budget for its funds. Budgetary comparison schedules have been provided on pages 37 and 38 to demonstrate compliance with these budgets.

- *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.

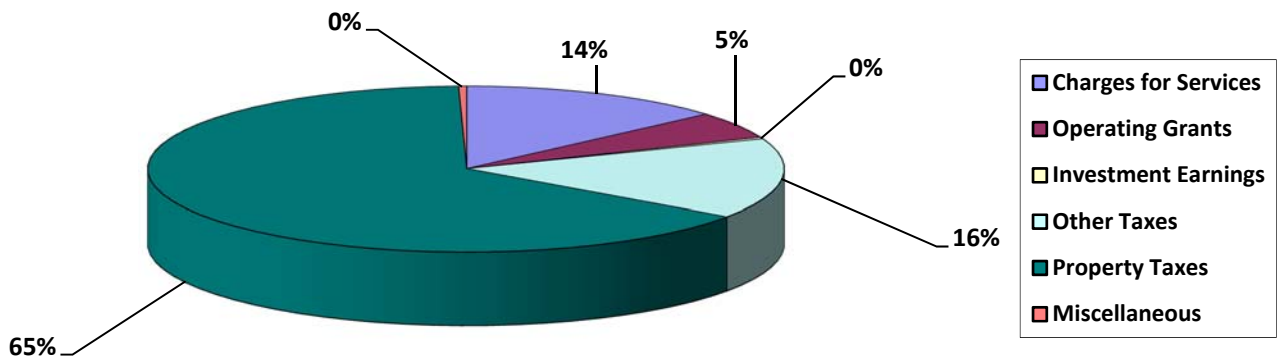
FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

The County's combined net position was \$2,315,541 at September 30, 2017. The largest portion of the County's net position, \$1,824,655, reflects its cash, investments, accounts receivable, and prepaid expenses, with the remainder \$394,060 reported as capital assets.

Table A-1
Briscoe County's Net Position
(in thousands)

	Governmental Activities,	
	2017	2016
Current and Other Assets	\$ 1,825	\$ 1,422
Capital and Non-Current Assets	394	335
Total Assets	\$ 2,219	\$ 1,757
Deferred Outflows of Resources	\$ 151	\$ 185
Current Liabilities	\$ 25	\$ 4
Non-Current Liabilities	20	21
Total Liabilities	\$ 45	\$ 25
Deferred Inflows of Resources	\$ 10	\$ 5
Net Position		
Net Investment in Capital Assets	\$ 394	\$ 335
Restricted	633	570
Unrestricted	1,288	1,007
Total Net Position	\$ 2,315	\$ 1,912

Changes in Net Position - The County's net position increased by \$403,577 during the current fiscal year.



Governmental Activities - Total revenues for the fiscal year ending September 30, 2017 were \$1,908,642. Approximately 81% of the County's revenue comes from taxes, while 14% comes from charges for services. Investment earnings, operating grants, and miscellaneous revenues account for 5% of total revenues.

Prior year expenses were down in General Administration due to prior period adjustments of \$252,519 taken against this line item. All other expenses are up with the majority of the increase related to salaries and benefits. See Note J to the notes to financial statements for a breakdown of the prior period adjustments.

Table A-2
Briscoe County Changes in Net Position
(in thousands)

	Governmental Activities,	
	2017	2016
Revenues:		
Program Revenues		
Charge for Services	\$ 258	\$ 538
Operating Grants and Contributions	100	93
General Revenues		
Property Taxes	1,236	922
Other Taxes	300	0
Investment Earnings	6	3
Miscellaneous	8	32
Total Revenues	<u>\$ 1,908</u>	<u>\$ 1,588</u>
Expenses:		
General Administration	\$ 327	\$ 74
County Judge	71	67
County & District Clerk	97	84
Treasurer	43	39
Tax Assessor Collector	73	79
County Attorney	87	81
Justice of Peace #1	38	35
Justice of Peace #2	32	26
County Sheriff	190	156
Extension Services	45	50
Courthouse Operations and Maintenance	43	32
Road and Bridge	451	427
District Court	8	32
Total Expenses	<u>\$ 1,505</u>	<u>\$ 1,182</u>
Increase in Net Position	\$ 403	\$ 406
Beginning Net Position	<u>1,912</u>	<u>1,506</u>
Ending Net Position	<u>\$ 2,315</u>	<u>\$ 1,912</u>

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, the County's General Fund reported a fund balance of \$1,214,283, an increase of \$318,676 over the prior year. The unassigned fund balance is \$1,124,709 and is available for spending at the government's discretion.

Key factor in the increase of fund balance:

- Increase in property tax revenue and other taxes.

As a measure of the fund's liquidity, it may be useful to compare unassigned fund balances to total fund expenditures. Unassigned fund balances represent 101.4% of total General Fund expenditures.

General Fund Budgetary Highlights - At the end of the year, actual expenditures were \$138,173 under final budgeted amounts. Actual revenues were over final budgeted amounts by \$262,127.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets — As of September 30, 2017, the County had invested \$1.2 million in a broad range of capital assets, including buildings and improvements and machinery and equipment.

Events affecting capital assets during the year were:

- Concrete work around courthouse and new sheriff vehicle.

More detailed information about the County's capital assets can be found on page 26.

Table A-3
Briscoe County's Capital Assets
(in thousands)

	Governmental Activities,	
	2017	2016
Buildings and Improvements	\$ 241	\$ 149
Machinery and Equipment	1,008	957
Total	<u>\$ 1,249</u>	<u>\$ 1,106</u>
Total Accumulated Depreciation	<u>\$ 855</u>	<u>\$ 771</u>
Net Capital Assets	<u>\$ 394</u>	<u>\$ 335</u>

Long-Term Debt — The County had no debt at September 30, 2017.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The appraised value used for the 2017-2018 budget preparation is estimated to be \$192,932,574, down 13% from 2016.
- The tax rate established for 2017 is \$0.57, the same as in 2016.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2017 fiscal year.

Amounts available for appropriation in the General Fund budget are \$1,389,422, an increase of 19% over the 2016-2017 budget of \$1,165,809. The majority of the increase is related budgeting for the payment in lieu of taxes from the wind farm. Property tax revenue is expected to decrease by \$109,956 due to a decrease in taxable value and an unchanged tax rate.

Budgeted expenditures are expected to increase approximately 1% to \$1,263,454.

If these estimates are realized, the County's budgetary General Fund balance is expected to increase by \$125,968.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County’s finances and to demonstrate the County’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Briscoe County Treasurer, County Courthouse, P.O. Box 674, Silverton, Texas 79257.

BASIC FINANCIAL STATEMENTS

BRISCOE COUNTY, TEXAS

Exhibit A-1

STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Cash Equivalents	\$ 1,780,346
Interest Receivable	2,235
Taxes and Accounts Receivables, net	9,482
Office Receivables, net	15,097
Prepaid Expenses	17,495
Noncurrent Assets	
Capital Assets (Net of Accumulated Depreciation):	
Buildings and Improvements	163,366
Machinery and Equipment	<u>230,694</u>
Total Assets	<u>\$ 2,218,715</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Pension Plan - Employer Contributions Made After Measurement Period	\$ 27,837
Pension Plan - Assumption Changes	7,875
Pension Plan - Difference in Projected and Actual Earnings	<u>115,594</u>
Total Deferred Outflows of Resources	<u>\$ 151,306</u>
LIABILITIES:	
Accounts Payable	\$ 24,820
Noncurrent Liabilities	
Net Pension Liability	<u>20,036</u>
Total Liabilities	<u>\$ 44,856</u>
DEFERRED INFLOWS OF RESOURCES:	
Pension Plan - Difference in Expected and Actual Experience	<u>\$ 9,624</u>
Total Deferred Outflows of Resources	<u>\$ 9,624</u>
NET POSITION:	
Net Investment in Capital Assets	\$ 394,060
Restricted For:	
Enabling Legislation	72,079
Road and Bridge	506,059
Jury Fund	54,914
Unrestricted	<u>1,288,429</u>
Total Net Position	<u><u>\$ 2,315,541</u></u>

The accompanying notes are an integral part of this statement.

BRISCOE COUNTY, TEXAS

Exhibit A-2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Fines, Fees & Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Primary Gov. Governmental Activities</u>
PRIMARY GOVERNMENT:				
Governmental Activities				
General Administration	\$ 326,195	\$	\$ 8,151	\$ (318,044)
County Judge	71,390		25,225	(46,165)
County & District Clerk	97,421	37,855		(59,566)
Treasurer	42,566			(42,566)
Tax Assessor Collector	72,881	8,104		(64,777)
County Attorney	87,200		23,333	(63,867)
Justice of Peace #1	38,200	64,653		26,453
Justice of Peace #2	32,406	27,940		(4,466)
County Sheriff	190,324	1,547	800	(187,977)
Extension Services	44,799			(44,799)
Courthouse Operations and Maintenance	42,986			(42,986)
Road and Bridge	450,644	117,949	37,562	(295,133)
District Court	7,801		5,338	(2,463)
Jurors	252			(252)
Total Governmental Activities	<u>\$ 1,505,065</u>	<u>\$ 258,048</u>	<u>\$ 100,409</u>	<u>\$ (1,146,608)</u>
General Revenues:				
				\$ 1,236,226
				299,700
				6,365
				7,894
				<u>\$ 1,550,185</u>
Change in Net Position				
				\$ 403,577
				1,624,170
				287,794
				<u>\$ 2,315,541</u>

The accompanying notes are an integral part of this statement.

-13-
BRISCOE COUNTY, TEXAS

Exhibit A-3

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017**

	Major Fund General Fund	Major Fund Road and Bridge Fund	Nonmajor Governmental Fund Jury Fund	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 1,207,646	\$ 517,826	\$ 54,874	\$ 1,780,346
Taxes Receivable, net	9,482			9,482
Other Receivables	2,055	140	40	2,235
Prepaid Expenses	17,495			17,495
Total Assets	\$ 1,236,678	\$ 517,966	\$ 54,914	\$ 1,809,558
LIABILITIES:				
Accounts Payable	\$ 12,913	\$ 11,907	\$	\$ 24,820
Total Liabilities	\$ 12,913	\$ 11,907	\$ 0	\$ 24,820
DEFERRED INFLOWS OF RESOURCES:				
Unavailable Revenue - Property Taxes	\$ 9,482	\$	\$	\$ 9,482
Total Deferred Inflows of Resources	\$ 9,482	\$ 0	\$ 0	\$ 9,482
FUND BALANCES:				
Nonspendable:				
Prepaid Expenses	\$ 17,495	\$	\$	\$ 17,495
Restricted For:				
Enabling Legislation	72,079			72,079
Road and Bridge		506,059		506,059
Jury Fund			54,914	54,914
Unassigned:				
Reported in the General Fund	1,124,709			1,124,709
Total Fund Balances	\$ 1,214,283	\$ 506,059	\$ 54,914	\$ 1,775,256
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,236,678	\$ 517,966	\$ 54,914	\$ 1,809,558

The accompanying notes are an integral part of this statement.

BRISCOE COUNTY, TEXAS

Exhibit A-4

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

Total Fund Balances - Governmental Funds Balance Sheet	\$	1,775,256
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$1,105,962 and the accumulated depreciation was \$770,769. The net effect of including the beginning balances for capital assets (net of depreciation) in the governmental activities is to increase net position.		335,193
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the Government-Wide Financial Statements. The net effect of including the current year capital outlay is to increase net position.		143,140
The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(84,273)
Net pension liability and deferred outflows and inflows of resources are not recognized in the governmental funds.		121,646
Revenues unavailable to pay for current period expenditures are deferred in the funds.		9,482
To record the Justice of the Peace and County/Dist. Clerk Fines.		<u>15,097</u>
Net Assets of Governmental Activities - Statement of Net Position	\$	<u><u>2,315,541</u></u>

The accompanying notes are an integral part of this statement.

BRISCOE COUNTY, TEXAS

Exhibit A-5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Major Fund General Fund	Major Fund Road and Bridge Fund	Nonmajor Governmental Fund Jury Fund	Total Governmental Funds
Revenue:				
Property Taxes	\$ 996,635	\$ 240,153	\$ 25,231	\$ 1,262,019
Other Taxes	236,763	56,943	5,994	299,700
License and Permits		111,064		111,064
Intergovernmental Revenue and Grants	57,509	37,562	5,338	100,409
Charges for Services		6,885		6,885
Fines and Fees	125,002			125,002
Investment Earnings	4,133	2,029	203	6,365
Rents and Royalties	6,000			6,000
Other Revenue	1,894			1,894
Total Revenues	<u>\$ 1,427,936</u>	<u>\$ 454,636</u>	<u>\$ 36,766</u>	<u>\$ 1,919,338</u>
Expenditures:				
Current:				
General Administration	\$ 303,481		\$ 16,069	\$ 319,550
County Judge	67,923			67,923
County & District Clerk	93,822			93,822
Treasurer	40,647			40,647
Tax Assessor Collector	70,759			70,759
County Attorney	82,696			82,696
Justice of Peace #1	36,418			36,418
Justice of Peace #2	30,990			30,990
County Sheriff	219,741			219,741
Extension Services	40,350			40,350
Courthouse Operations and Maintenance	122,433			122,433
Road and Bridge		392,962		392,962
District Court			7,801	7,801
Jurors			252	252
Total Expenditures	<u>\$ 1,109,260</u>	<u>\$ 392,962</u>	<u>\$ 24,122</u>	<u>\$ 1,526,344</u>
Excess of Revenues Over Expenditures	<u>\$ 318,676</u>	<u>\$ 61,674</u>	<u>\$ 12,644</u>	<u>\$ 392,994</u>
Net Change in Fund Balances	\$ 318,676	\$ 61,674	\$ 12,644	\$ 392,994
Fund Balances - Beginning	877,559	447,801	42,270	1,367,630
Prior Period Adjustment	18,048	(3,416)		14,632
Fund Balances - Ending	<u>\$ 1,214,283</u>	<u>\$ 506,059</u>	<u>\$ 54,914</u>	<u>\$ 1,775,256</u>

The accompanying notes are an integral part of this statement.

BRISCOE COUNTY, TEXAS

Exhibit A-6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$	392,994
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:		
Current year capital outlay payments are expenditures in the Fund Financial Statements, but they should be shown as increases in capital assets in the Government-Wide Financial Statements. The net effect of removing the current year capital outlay is to increase net assets.		143,140
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 assets.		(84,273)
Net change in pension expense to convert amounts paid in for the governmental funds to accrued pension expense for governmental activities.		(37,588)
To record the change in the Justice of the Peace and County/Dist. Clerk fines receivable.		15,097
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		<u>(25,793)</u>
Change in Net Position of Governmental Activities - Statement of Activities	\$	<u><u>403,577</u></u>

The accompanying notes are an integral part of this statement.

BRISCOE COUNTY, TEXAS

Exhibit A-7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	<u>Agency Fund</u>
ASSETS:	
Current Assets	
Cash and Cash Equivalents	\$ <u>21,554</u>
Total Current Assets	\$ <u><u>21,554</u></u>
LIABILITIES:	
Current Liabilities	
Due to Others	\$ <u>21,554</u>
Total Current Liabilities	\$ <u><u>21,554</u></u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

BRISCOE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The authority of county governments and their specific functions and responsibilities are created by and are dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. Briscoe County, Texas (the County) operates under a county judge/commissioners court type of government as provided by state statute.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes are organized to provide explanations, including required disclosures, of the County's financial activities for the fiscal year ended September 30, 2017.

The County is a body, corporate and political, which performs all local government functions within its jurisdiction. The County is governed by an elected County Judge and four County Commissioners elected from individual precincts. The Judge and four Commissioners form the governing body, the Commissioners' Court. Various branches of the County government are led by duly elected officials who serve in their positions. These other elected officials are responsible only to the voters for their performance and for the operations of their individual offices but must seek budget approval from the Commissioners' Court. There are no component units (other governmental entities) over which the County exercises significant controls or has oversight responsibility.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are Government-Wide Financial Statements. They report information on all of the Briscoe County non-fiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, fines and fees, grants, and other intergovernmental revenues.

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include a) fees, fines, and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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.

BRISCOE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for the County operations, they are not included in the Government-Wide Financial Statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Government-Wide Financial Statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on general long-term obligations, which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as deferred revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as deferred revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

BRISCOE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

D. FUND ACCOUNTING

The County applies GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for the fiscal year ended September 30, 2017. This Statement establishes criteria for classifying governmental fund balances into specifically defined classifications. Classifications are hierarchical and are based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which the amounts in the funds may be spent. Application of the Statement requires the County to classify and report amounts in the appropriate fund balance classifications. The County's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of restricted, committed, assigned, or unassigned. From interpretation of the adopted policy the County will spend its fund in the following order: Committed, Assigned, and Unassigned, if more than one classification of fund balance is available.

The County reports the following classifications:

Nonspendable Fund Balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form – such as inventory or prepaid insurance or (b) legally or contractually required to be maintained intact – such as a trust that must be retained in perpetuity.

Restricted Fund Balance – Restricted fund balances are restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Restrictions are placed on fund balances when legally enforceable legislation establishes the County's right to assess, levy, or charge fees to be used for a specific purpose – such as the County's property tax revenue for debt service requirements, which must be used to repay debt. Legal enforceability means that the County can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – Committed fund balances are amounts that can only be used for specific purposes as a result of constraints imposed by the Commissioners' Court. Committed amounts cannot be used for any other purposes unless the Council removes those constraints by taking the same type of

BRISCOE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

actions (legislation, resolution, and ordinance). Committed fund balances include non-liquidated encumbrances at year end that are carried forward to the next fiscal year. Amounts in the committed fund balance classification may be used for other purposes with appropriate due process by the Commissioners' Court. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – Assigned fund balances are amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the County Treasurer or (b) an appointed body or official to which the Commissioners' Court has delegated the authority to assign, modify, or rescind amounts to be used for specific purposes.

Assigned fund balance includes (a) all remaining amounts that are reported in governmental funds (other than the General Fund) that are not classified as nonspendable, restricted, or committed, and (b) amounts in the General Fund that are intended to be used for a specific purpose. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, are assigned for purposes in accordance with the nature of their fund type. Assignment with the General Fund conveys that the intended use of those amounts is for specific purposes that are narrower than the general purposes of the County itself.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the General Fund. This classification represents General Fund balance that has not been assigned to other funds, and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. County funds do not include funds held by County offices, which are not yet remitted to the County Treasurer. County funds are amounts which have been received by the County Treasurer and which are subject to control by the Commissioners' Court. These various County funds, which are reported as Governmental Funds in the financial statements of this report, are grouped into three fund types: General Fund, Road and Bridge Fund, and Special Revenue Funds. The remaining funds held by other County offices are reported as Fiduciary Funds and are not subject to control by the Commissioner's Court.

The County maintains the following funds:

Major Governmental Fund:

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Road and Bridge Fund – The Road and Bridge Fund is a special revenue fund that is used to account for the operation, repair and maintenance of roads and bridges within the County.

BRISCOE COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Non-Major Governmental Funds:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes, or designated to finance particular functions or activities of the County.

Fiduciary Funds:

Fiduciary Funds, which include funds held by County offices, also are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other government, and/or other funds. These include Agency Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for Fiduciary Funds.

E. OTHER ACCOUNTING POLICIES

1. The County considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.
2. Capital assets include buildings and improvements and machinery and equipment and are reported in the applicable governmental activities columns in the Government-Wide Financial Statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, vehicles, furniture, and equipment of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	100-15
Machinery and Equipment	7-10

3. The County provides statutory workers' compensation insurance for its employees through Texas Association of Counties (TAC), a risk management pool.

BRISCOE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

F. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

Effective September 30, 2017, the County implemented *GASB Statement 68, "Accounting and Financial Reporting for Pensions: An Amendment of GASB Statement 27"* to improve the usefulness of financial reports of employer governments whose employees are provided with pensions by reporting the effects of pension-related transactions and events on the financial statements of employers and providing information about the County's pension obligations and the assets available to satisfy the obligations. Prior to implementation of GASB 68 these transactions were not reported by the County. As a result of implementation of GASB 68 a restatement in previously reported net position was required and increased beginning net position by \$159,234.

II. PROPERTY TAX

Property taxes are levied by October 1st 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 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of county wide Appraisal Districts and for the State Property Tax Board which commenced operation in January of 1980.

Briscoe County Appraisal District appraises property values in the County. The Briscoe County Tax Assessor - Collector assesses and collects the County's property taxes. The County is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjustments for new improvements, exceeds the rate for the previous year by more than eight percent, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than eight percent above the effective tax rate of the previous year.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. A practical limitation on taxes levied for debt service is \$1.50 per \$100 of assessed valuation as established by the Attorney General of the State of Texas. The tax rates assessed for the year ended September 30, 2017 to finance maintenance and operations of the County was \$0.57 per \$100 of assessed valuation.

BRISCOE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

At September 30, 2017, the carrying amount of the County's deposits was \$1,780,346 and the bank balance was \$1,881,494.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

The carrying value of investments (certificates of deposit), included in the County's deposits above, at September 30, 2017 was \$1,174,050.

Policies Governing Deposits and Investments:

The County has not adopted a deposit and investment policy.

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2017 were covered by depository insurance or by pledged collateral held by the County's agent bank.

BRISCOE COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

The County’s investments are certificates of deposits covered by pledged securities.

B. FAIR VALUE MEASUREMENT AND APPLICATION

The County categorizes fair value measurements of investment assets and liabilities within the fair value hierarchy established by generally accepted accounting principles as mandated by GASB Statement No. 72. These investments are valued through industry standard practices for the respective type of security at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The hierarchy classifications are based on the transparency of inputs to the valuation techniques used and should not be perceived as the particular investment’s risk. These classifications are summarized into three broad levels, arranged from highest to lowest:

Level 1 - Unadjusted inputs using quoted prices in active markets or exchanges for identical investments.

Level 2 - Other significant observable inputs including quoted prices of securities that are comparable in coupon, rating, maturity and industry. Inputs other than quoted prices that are observable take into account operational, market, financial and non-financial factors (interest rates, yield curves, credit risk, and default rates) or other market corroborated inputs that are observable at commonly quoted intervals for the full term of the investment.

Level 3 – Significant inputs that are not observable and cannot be corroborated by observable market data (assumptions, cash flows or earnings multiples). In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The assessment of the significance of particular inputs to their fair value measurements requires judgment and considers factors specific to each asset.

The County’s certificates of deposit are measured at cost and are considered Level 1 investments.

C. DISAGGREGATION OF RECEIVABLES AND PAYABLES

In the Government-Wide Statement of Net Position, the County reported the following receivables:

	<u>Balance</u>	<u>Allowance</u>	<u>Net</u>
Taxes and Accounts Receivables	\$ 35,299	\$ 25,817	\$ 9,482
Interest Receivable	2,235		2,235
Office Receivables	40,429	25,332	15,097
	<u>\$ 77,963</u>	<u>\$ 51,149</u>	<u>\$ 26,814</u>

BRISCOE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Payables at September 30, 2017 were as follows:

	Accounts Payable
General Fund	\$ 12,913
Road and Bridge	11,907
	<u>\$ 24,820</u>

D. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2017 was as follows:

	Balance October 1, 2016	Additions	Retirements	Balance September 30, 2017
Depreciable Assets				
Buildings and Improvements	\$ 148,750	\$ 92,377	\$	\$ 241,127
Machinery and Equipment	957,212	50,763		1,007,975
Total Depreciable Assets	<u>\$ 1,105,962</u>	<u>\$ 143,140</u>	<u>\$ 0</u>	<u>\$ 1,249,102</u>
Less Accumulated Depreciation				
Buildings and Improvement	\$ 71,200	\$ 6,561	\$	\$ 77,761
Machinery and Equipment	699,569	77,712		777,281
Total Accumulated Depreciation	<u>\$ 770,769</u>	<u>\$ 84,273</u>	<u>\$ 0</u>	<u>\$ 855,042</u>
Governmental Activities Capital Assets, Net	<u>\$ 335,193</u>	<u>\$ 58,867</u>	<u>\$ 0</u>	<u>\$ 394,060</u>

Current year depreciation expense was charged to governmental functions as follows:

General Administration	\$ 6,245
County Sheriff	22,359
Extension Services	3,897
Courthouse Operations and Maintenance	5,597
Road and Bridge	46,175
Total Depreciation Expense	<u>\$ 84,273</u>

BRISCOE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

E. RISK MANAGEMENT

Workers' Compensation

During the year ended September 30, 2017 employees of the County were covered by a workers' compensation plan administered by TAC. The County paid a contribution of \$8,187 for the year ended September 30, 2017. These figures are subject to change based upon actual payroll figures.

Health Care

During the year ended September 30, 2017, employees of the County were covered by a health insurance plan (the Plan). The County paid 100% of each employee's monthly premium. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TAC. The cost to the County for the year ended September 30, 2017 was \$120,271.

F. RETIREMENT PENSION PLAN

Plan Description:

The County provides retirement, disability and death benefits for all of its full time employees through a non-traditional defined benefit pension plan in TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 738 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a Comprehensive Annual Financial Report (CAFR) on a calendar basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS. Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service.

Members are vested after eight 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 within the actuarial constraints imposed by the Texas state statutes governing TCDRS 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 Texas state statutes governing TCDRS.

BRISCOE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

Pension Plan Fiduciary Net Position:

Detailed information about the TCDRS fiduciary net position is available in a separately-issued CAFR that includes financial statements and required supplementary information mentioned in the above section.

The information provided by TCDRS shows the following information regarding the Pension Plan fiduciary net position for the County as of December 31, 2016.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 2,074,533
Less: Plan Fiduciary Net Position	<u>(2,054,497)</u>
Net Pension Liability (Asset)	<u>\$ 20,036</u>
Net Position as Percentage of Total Pension Liability	99.03%

Benefits Provided:

TCDRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries). The normal service retirement is at age 60 with eight years of credited service, when the sum of the member's age and years of credited service equals 75 or more years, or after 30 years of service regardless of age. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Contributions:

The plan is funded by monthly contributions from employee deposits and from employer contributions based on the covered payroll of employee members. Under the variable rate plan provisions, the contribution rate of the employer is actuarially determined annually. The required contribution was determined as part of the December 31, 2016 actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions at December 31, 2016 included (a) an eight percent investment rate of return (net of administrative expenses), and (b) a projected salary increase of 4.90%. Both (a) and (b) included an inflation component of three percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period.

The employer contribution rate was 6.35% for 2016. The deposit rate payable by employee members is the rate of seven percent as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the Texas state statutes governing TCDRS.

BRISCOE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

	Contribution Rates	
	2017	2016
Member	7.00%	7.00%
Employer	6.13%	6.35%
2016 Employer Contributions	\$	39,086
2016 Member Contributions	\$	43,087

Actuarial Assumptions:

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Smoothing Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
Remaining Amortization Period	11.7 years
Discount Rate	8.10%
Long-Term Expected Investment	
Rate of Return*	8.10%
Salary Increases*	3.50% - 4.90%
Payroll Growth Rate	0.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of the County's workforce and estimate of benefits it will pay its employees. The economic and demographic assumptions have been established based on the 2013 experience study for TCDRS, details of which can be found in the 2013 Investigation and Experience Report on the TCDRS website. The RP-2000 Active Employee Mortality Table was used with a four-year set forward.

Discount Rate:

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. 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. The long-term

BRISCOE COUNTY, TEXAS

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017**

rate of return on pension plan investments is 8.10%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2016 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Portfolio Real Rate of Return*
US Equities	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities - Developed	10.00%	4.70%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%
Total	100.00%	

* - Geometric real rates of return in addition to assumed inflation of 2.0%, per Cliffwater's 2017 capital market assumptions

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the net pension liability if the discount rate used was one percent less than and one percent greater than the discount rate that was used (8.10%) in measuring the 2016 net pension liability.

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total Pension Liability	\$ 2,296,832	\$ 2,074,533	\$ 1,884,817
Fiduciary Net Position	(2,054,498)	(2,054,497)	(2,054,498)
Net Pension Liability / (Asset)	\$ 242,334	\$ 20,036	\$ (169,681)

BRISCOE COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At December 31, 2016, the County reported a liability of \$20,036 for its proportionate share of the TCDRS net pension liability.

The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period January 1, 2016 through December 31, 2016.

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

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

At December 31, 2016, the County reported its proportionate share of the TCDRS deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows (Inflows) of Resources
Differences Between Expected and Actual Economic Experience	\$ (9,624)
Changes of Assumptions	7,875
Net Difference Between Projected and Actual Earnings	115,594
Contributions Paid to TCDRS Subsequent to the Measurement Date	27,837
Total	<u>\$ 141,682</u>

The net amounts of the employer's balances of deferred outflows and inflows related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
2017	\$ 65,354
2018	39,265
2019	34,421
2020	2,642
2021	0

BRISCOE COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

At December 31, 2016, the County reported deferred resource outflows and inflows for the TCDRS pension plan as follows:

	Deferred Outflows (Inflows) of Resources
Total Net Amounts as of December 31, 2015 Measurement Date	\$ 180,628
Contributions Made Subsequent to the Measurement Date	27,837
Contributions Made Prior to the Measurement Date	(28,080)
Net Deferred Outflows/(Inflows) related to the year ending December 31, 2016	(1,186)
Amortization of Deferred Outflows/(Inflows)	(37,517)
Total Net Amounts as of December 31, 2016 Measurement Date	\$ 141,682

Pension Expense:

Pension expense for the plan for the year ended December 31, 2016 was \$76,430 and was calculated as follows:

	Pension Expense
Service Cost	\$ 74,568
Interest on Total Pension Liability	156,602
Effect of Plan Changes	
Administrative Expenses	1,539
Member Contributions	(43,087)
Expected Investment Return Net of Investment Expenses	(154,942)
Amortization of Deferred Inflows and Outflows of Resources	37,516
Other	4,234
Total Net Amounts as of December 31, 2016	\$ 76,430

Employees Covered by Benefit Terms:

At the December 31, 2016 valuation and measurement date, the plan reported the following regarding employees covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	20
Inactive Employees Entitled to but not Yet Receiving Benefits	31
Active Employees	23
Total Plan Employees	74

BRISCOE COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

G. LITIGATION, COMMITMENTS, AND SUBSEQUENT EVENTS

There is no pending litigation against the County at September 30, 2017, that would have a material effect on the financial statements.

Management has evaluated subsequent events through May 20, 2019 the date which the financial statements were available to be issued.

H. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets and liabilities, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the County has three items that qualify for reporting in this category, and they all relate to pension plan timing differences. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has one item that qualifies for reporting in this category, and relates to pension plan timing differences.

In addition to liabilities, the balance sheet 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 so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

I. TAX ABATEMENTS

The County has entered into (two) ten year agreements allowed for under Texas State Law for the abatement of property taxes related to a wind farm operation within the County's jurisdiction.

One abatement runs through the 2025 tax year. The County has abated taxes in the amount of \$972,477 on taxable values of \$1,706,100 related to the 2016 tax levy.

The other abatement also runs through the 2025 tax year. The County has abated taxes in the amount of \$525,491 on taxable values of \$1,152,392 related to the 2016 tax levy.

BRISCOE COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

J. PRIOR PERIOD ADJUSTMENTS

The following are prior period adjustments made to the governmental funds and primary government fund balances and net position.

Governmental Funds and Primary Government:

	<u>Governmental Funds</u>	<u>Governmental Activities</u>
Beginning Fund Balance/Net Position - September 30, 2016	\$ 1,367,630	\$ 1,624,170
<u>Prior Period Adjustment Description</u>		
To Record Accounts Payable	(3,653)	(3,653)
To Record Prepaid Expenses	18,285	18,285
To Restate Beginning Capital Assets		78,653
To Record GASB 68 Pension Liability and Related Amounts		159,234
To Recognize Deferred Property Taxes		35,275
Restated Fund Balance/Net Position - September 30, 2016	<u>\$ 1,382,262</u>	<u>\$ 1,911,964</u>

REQUIRED SUPPLEMENTARY INFORMATION

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BRISCOE COUNTY, TEXAS

Exhibit B-1

**SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
TOTAL PENSION LIABILITY / (ASSET)			
Service Cost	\$ 58,605	\$ 66,138	\$ 74,568
Interest Cost	132,136	145,023	156,602
Effect of Plan Changes		(6,315)	
Effect of Economic/Demographic Changes	21,292	(7,282)	(14,393)
Effect of Assumptions Changes or Inputs		23,625	
Benefit Payments/Refunds of Contributions	<u>(59,151)</u>	<u>(71,291)</u>	<u>(76,595)</u>
Net Change in Total Pension Liability	\$ 152,882	\$ 149,898	\$ 140,182
Total Pension Liability, Beginning	<u>1,631,571</u>	<u>1,784,453</u>	<u>1,934,351</u>
Total Pension Liability, Ending	\$ <u>1,784,453</u>	\$ <u>1,934,351</u>	\$ <u>2,074,533</u>
FIDUCIARY NET POSITION			
Employer Contributions	\$ 37,105	\$ 37,241	\$ 39,086
Member Contributions	36,480	40,044	43,087
Benefit Payments/Refunds of Contributions	(59,151)	(71,291)	(76,595)
Investment Income, Net of Expenses	121,318	(2,517)	141,734
Administrative Expenses	(1,418)	(1,376)	(1,539)
Other	<u>9,178</u>	<u>(1,044)</u>	<u>(4,233)</u>
Net Change in Fiduciary Net Position	\$ 143,512	\$ 1,057	\$ 141,540
Fiduciary Net Position, Beginning	<u>1,768,388</u>	<u>1,911,900</u>	<u>1,912,957</u>
Fiduciary Net Position, Ending	\$ <u>1,911,900</u>	\$ <u>1,912,957</u>	\$ <u>2,054,497</u>
NET PENSION LIABILITY / (ASSET)	\$ <u>(127,447)</u>	\$ <u>21,394</u>	\$ <u>20,036</u>
Fiduciary Net Position as a % of Total Pension Liability	<u>107.14%</u>	<u>98.89%</u>	<u>99.03%</u>
County's Covered-Employee Payroll	\$ <u>521,140</u>	\$ <u>572,054</u>	\$ <u>615,533</u>
Net Pension Asset as a % of Covered Payroll	<u>-24.46%</u>	<u>3.74%</u>	<u>3.26%</u>

Note: Only three years of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

BRISCOE COUNTY, TEXAS

Exhibit B-2

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<u>Year Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (1)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2015	\$ 37,605	\$ 37,605	\$ -	\$ 562,854	6.68%
2016	38,959	38,959	-	609,308	6.39%
2017	38,843	38,843	-	627,439	6.19%

Note: Only three years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the ten year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

BRISCOE COUNTY, TEXAS

Exhibit B-3

BUDGETARY COMPARISON - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	(Unaudited) Budgeted Amounts		Actual	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 1,000,726	\$ 1,000,726	\$ 996,635	\$ (4,091)
Other Taxes	0	0	236,763	236,763
Intergovernmental Revenue and Grants	49,533	49,533	57,509	7,976
Fines and Fees	103,050	103,050	125,002	21,952
Investment Earnings	1,000	1,000	4,133	3,133
Rents and Royalties	6,000	6,000	6,000	0
Other Revenue	5,500	5,500	1,894	(3,606)
Total Revenues	<u>\$ 1,165,809</u>	<u>\$ 1,165,809</u>	<u>\$ 1,427,936</u>	<u>\$ 262,127</u>
Expenditures:				
Current:				
General Administration	\$ 409,547	\$ 409,547	\$ 303,481	\$ 106,066
County Judge	74,059	74,059	67,923	6,136
County & District Clerk	96,871	96,871	93,822	3,049
Treasurer	41,817	41,817	40,647	1,170
Tax Assessor Collector	81,770	81,770	70,759	11,011
County Attorney	83,668	83,668	82,696	972
Justice of Peace #1	38,022	38,022	36,418	1,604
Justice of Peace #2	32,281	32,281	30,990	1,291
County Sheriff	242,469	242,469	219,741	22,728
Extension Services	59,150	59,150	40,350	18,800
Courthouse Operations and Maintenance	87,779	87,779	122,433	(34,654)
Total Expenditures	<u>\$ 1,247,433</u>	<u>\$ 1,247,433</u>	<u>\$ 1,109,260</u>	<u>\$ 138,173</u>
Excess of Revenues Over Expenditures	<u>\$ (81,624)</u>	<u>\$ (81,624)</u>	<u>\$ 318,676</u>	<u>\$ 400,300</u>
Other Financing Sources:				
Transfers In	\$ 80,058	\$ 80,058	\$ 500,000	\$ 419,942
Transfers Out			(500,000)	(500,000)
Total Other Financing Sources	<u>\$ 80,058</u>	<u>\$ 80,058</u>	<u>\$ 0</u>	<u>\$ (80,058)</u>
Net Change in Fund Balances	\$ (1,566)	\$ (1,566)	\$ 318,676	\$ <u>320,242</u>
Fund Balances - Beginning	<u>895,607</u>	<u>895,607</u>	<u>895,607</u>	
Fund Balances - Ending	<u>\$ 894,041</u>	<u>\$ 894,041</u>	<u>\$ 1,214,283</u>	

BRISCOE COUNTY, TEXAS

Exhibit B-4

BUDGETARY COMPARISON - ROAD AND BRIDGE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	(Unaudited) Budgeted Amounts		Actual	Variance with Final Budget Positive or (Negative)
	Original	Final		
Revenue:				
Taxes:				
Property Taxes	\$ 240,680	\$ 240,680	\$ 240,153	\$ (527)
Other Taxes	0	0	56,943	56,943
License and Permits	107,500	107,500	111,064	3,564
Intergovernmental Revenue and Grants	45,100	45,100	37,562	(7,538)
Charges for Services	8,400	8,400	6,885	(1,515)
Investment Earnings	1,000	1,000	2,029	1,029
Total Revenues	<u>\$ 402,680</u>	<u>\$ 402,680</u>	<u>\$ 454,636</u>	<u>\$ 51,956</u>
Expenditures:				
Current:				
Road and Bridge	\$ 503,214	\$ 503,214	\$ 392,962	\$ 110,252
Total Expenditures	<u>\$ 503,214</u>	<u>\$ 503,214</u>	<u>\$ 392,962</u>	<u>\$ 110,252</u>
Excess of Revenues Over Expenditures	<u>\$ (100,534)</u>	<u>\$ (100,534)</u>	<u>\$ 61,674</u>	<u>\$ 162,208</u>
Net Change in Fund Balances	\$ (100,534)	\$ (100,534)	\$ 61,674	<u>\$ 162,208</u>
Fund Balances - Beginning	<u>444,385</u>	<u>444,385</u>	<u>444,385</u>	
Fund Balances - Ending	<u>\$ 343,851</u>	<u>\$ 343,851</u>	<u>\$ 506,059</u>	

BRISCOE COUNTY, TEXAS

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

A. PENSION PLAN

CHANGES OF BENEFIT TERMS

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

CHANGES OF ASSUMPTIONS

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

B. BUDGETARY DATA

The County follows these procedures in establishing budgetary data reflected in these financial statements:

1. Prior to October 1st, the budget is legally enacted through adoption of an order by the Commissioners' Court.
2. Any amendments altering expenditures of any department must be approved by the Commissioners' Court. There must be an emergency condition existing in order for the Court to increase the total budget.
3. Budgets for the General Fund, Road and Bridge Fund, and Jury Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budget and actual amounts are recorded on the same basis.
4. Expenditures in excess of appropriations are required by state statutes to be reported down to the department classification.
5. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended September 30, 2017.

C. EXCESS EXPENDITURES OVER APPROPRIATIONS

The excess expenditures over appropriations for General Fund courthouse operations and maintenance were covered by available unassigned fund balance.

OTHER INFORMATION REQUIRED BY GAO

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

**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**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Briscoe County, Texas (the County), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 3, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

May 20, 2019