

MATAGORDA COUNTY, TEXAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

For the Fiscal Year Ended
December 31, 2017

MATAGORDA COUNTY, TEXAS
MATAGORDA COUNTY AUDITOR'S OFFICE
2200 7th Street, Room 208
Bay City, TX 77414



MATAGORDA COUNTY, TEXAS
Comprehensive Annual Financial Report
 For the Year Ended December 31, 2017

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INTRODUCTORY SECTION





KRISTEN E. KUBECKA

COUNTY AUDITOR

MATAGORDA COUNTY
2200 SEVENTH STREET, ROOM 208
BAY CITY, TEXAS 77414-5095
(979) 241-0120

Honorable District Judges of Matagorda County and
Honorable Members of the Matagorda County Commissioners Court:

Chapter 114.025 and chapter 115.045 of the Local Government Code of the State of Texas requires the issuance within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a licensed certified public accountant. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Matagorda County for the fiscal year ended December 31, 2017.

This report consists of management's representations concerning the finances of Matagorda County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Matagorda County's financial statements in conformity with GAAP. The County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement because the cost of internal controls should not outweigh their benefits. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Matagorda County's financial statements have been audited by Kennemer, Masters & Lunsford, LLC, certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the year ended December 31, 2017, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended December 31, 2017, are presented in conformity with GAAP. The independent auditor's report is presented as the first item in the financial section of this report.

The independent audit of the financial statements of Matagorda County was part of the broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are included in the Federal Awards Section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Matagorda County's MD&A can be found immediately following the report of the independent auditors. The financial section also includes government-wide financial statements, fund financial statements, notes, required supplementary information and the combining and individual fund financial statements and schedules. The statistical section of the report includes selected financial and demographic information, which is generally presented on a multi-year basis.

PROFILE OF MATAGORDA COUNTY

The County of Matagorda, created in 1836 is rich in history and tradition. The County is located between Galveston and Corpus Christi along the Gulf Coast and enjoys a diversity of geography from its wide expanse of prairies to the many creeks, rivers, lakes, bays and Gulf of Mexico. Matagorda County occupies an area of 1,115 square miles and serves an estimated population of 36,702. The County is a political subdivision of the State of Texas. Neighboring counties are Brazoria, Wharton and Jackson.

The County operates as specified under the Constitution of the State of Texas and Vernon's Texas Code Annotated, which provide for a Commissioners Court consisting of the County Judge and four County Commissioners, one from each of four geographical precincts. The Commissioners Court is the governing body of the County. The County Judge is elected at large to serve a four-year term and the Commissioners serve four-year staggered terms, two members elected every two years.

The Commissioners Court has certain powers granted to it by the state legislature. Its duties include adoption of the budget, setting of the tax rates, approval of contracts, appointment of certain county officials and the development of policies and orders. The Commissioners Court shares the financial controls of the County with the County Auditor who is appointed according to Texas State statutes for two year terms by the District Judges. The County Auditor holds the basic responsibilities for establishing accounting policies and procedures, maintaining the records of all financial transactions of the County, and "examining and approving" disbursements from county funds prior to their submission to the Commissioners Court for payment.

Matagorda County provides many services not ordinarily provided by any other entity of government and provides additional services in cooperation with other local governmental units. These include volunteer fire departments, libraries and the museum. A primary service is the administration of justice, which includes the county and district courts, justices of the peace, constables, district attorney, clerks of the courts, sheriff, jail, and bailiffs. Other functions performed by the County include juvenile services, maintaining public health and welfare and the construction and maintenance of roads and bridges.

BUDGET

The annual budget serves as the foundation for the County's planning and control. Budgetary control is maintained at the subtotal level of the County budget for the following categories: Personnel, Operating Costs, Capital Outlay and Debt. Expenditures for current operating funds may not exceed available cash balances in such funds at January 1, plus the estimate of revenues for the ensuing year. At any time during the year, Commissioners Court may increase the budget for unexpected revenues, expenditures, or actual beginning fund balances in excess of budgeted estimates, provided that Commissioners Court declares the existence of an

emergency necessitating the increase. All annual budget appropriations lapse at year end with the exception of the commissioner's budgets. Prior to year-end, the commissioners commit a portion of unrestricted General Fund balance for the unspent portion of their precinct budgets. The County also maintains an encumbrance accounting system for the general fund as one method of maintaining budgetary control. Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted.

LONG TERM FINANCIAL PLANNING

The long term financial plans of the county consist of continued infrastructure improvement for roads and bridges and efforts to explore avenues for enhanced economic growth. The commissioners' court adopted an updated tax abatement policy to aid in negotiations with potential industrial clients and to continue to attract growth for Matagorda County.

Additional appropriations for courthouse maintenance and repairs were approved to preserve our capital assets to ensure they reach their potential life expectancy.

LOCAL ECONOMY

An understanding of the financial condition of Matagorda County is enhanced through a perspective of the environment in which the County operates. Matagorda County's primary economic bases include utilities, petrochemical processing, transmission, agriculture, commercial fishing and tourism. Matagorda County has outstanding opportunities for industry growth because of its location and proximity to the Gulf of Mexico, the Colorado River and the Gulf Intercoastal Canal waterway as well as rail accessibility.

For several years, Matagorda County has partnered with the South Texas Project Nuclear Operating Company (STP) in providing Emergency Preparedness Training and Operations Drills for the safety of its citizens. This contract is not only financially favorable to the County, but has also provided invaluable emergency preparedness skills and a network of cooperation between the County leaders and departments and its industry neighbors. Through a joint partnership with the South Texas Project and Wharton County Junior College, the South Texas Center for Energy Development continues to serve as a career center for staffing at STP and also offers classes focusing on process-technology and power-technology programs to train students for work at chemical, industrial and nuclear plants.

Matagorda Regional Medical Center (MRMC) serves the community at its 117,000 square-foot facility located on 45 acres of land on Texas 35 west. This two-story acute care hospital has 58 patient rooms, offers expanded services, and attractive and comfortable patient and visitor areas. A 40,000 square foot medical office building on the MRMC campus provides a two-story Diagnostic Center for outpatient testing as well as physician clinic space.

The economic outlook for Matagorda County remains positive for the future. Tenaris completed construction of a seamless steel pipe manufacturing plant with an approximate value of \$1.8 billion. This plant created approximately 343 jobs within the county and is operational as of 2017. Dunn Heat Exchanger remains fully operational. This plant cleans, decontaminates, repairs, and fabricates heat exchangers and has brought new employment opportunities to the County. Construction has been completed on multiple new hotels in Bay City in response to economic growth. The County hopes that with these additions more business opportunities will follow. The South Texas Project Nuclear Operating Company continues toward its plans to build two additional units at the site in the near future. Although the expansion has been delayed while the industry recovers from the aftermath of the nuclear disaster in Japan, the preparation continues. The future construction would bring temporary jobs to the community and upon

completion provide approximately 1,000 permanent jobs to Matagorda County. Tourism continues to grow as Matagorda's coastline is developed and discovered by those who enjoy fishing, beach and river activities or just relaxing.

FINANCIAL POLICIES

The County has adopted an investment policy as required by state law and in conformity with state investment statutes. The investment policy as adopted by the County employs the prudent person concept in that priorities were established as to the investment vehicles the County would use. Compliance with the laws of the State of Texas and Safety were established as first priorities, followed by liquidity, low risk and diversification with an active versus passive management philosophy maintaining high professional and ethical standards. The County Treasurer is responsible for administering all of the investment of idle funds in the County. For the last several years, the County's depository has provided better interest rates than comparable liquid investments. During the fiscal year, the County earned approximately \$0.25 million interest on the funds invested.

In 2011 the County established a Fund Balance Policy in accordance with Governmental Accounting Standards Board Statement 54, adopting new classifications of fund balance, the method for committing fund balance and setting the order in which resources will be expended.

The County is responsible for establishing its tax rate. For the fiscal year ended December 31, 2017, the tax rate to finance general governmental services was \$0.41998 per \$100 valuation and the tax rate for the payment of principal and interest on long-term debt was \$0.00443 per \$100 of valuation.

In addition, the County also has the following financial policies:

- The Commissioners Court of the County shall formally adopt the annual budget prepared by the Budget Officer, members of the Commissioners' court and the County Auditor.
- Expenditures are controlled not to exceed available resources. All elected officials and department heads are required to keep expenditures within allocated budgets.
- Balanced financial operations will be maintained. Adequate internal accounting controls are developed and maintained to safeguard assets and provide reasonable assurance of proper recording of financial transactions.
- The County continues its effort on the replacement and upgrade of software when needed and it has provided funding when possible.
- Delivery of service to the constituents.
- Restrain the debt issuance to keep the tax rate low.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Matagorda County for its comprehensive annual financial report for the fiscal year ended December 31, 2016. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County has received a Certificate of Achievement for the last 14 consecutive years. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would like to express my appreciation to members of the Commissioners' Court and to the District Judges for their interest and support in planning and conducting the financial operations of the County in a responsible and professional manner. The timely completion of this report could not have been achieved without the dedicated efforts of the entire staff of the Office of County Auditor and the professional services provided by our independent Auditor, Kennemer, Masters & Lunsford, LLC.

Respectfully submitted,

A handwritten signature in black ink that reads "Kristen Kubecka". The signature is written in a cursive, flowing style.

Kristen Kubecka, County Auditor
Matagorda County, Texas
June 22, 2018



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Matagorda County
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

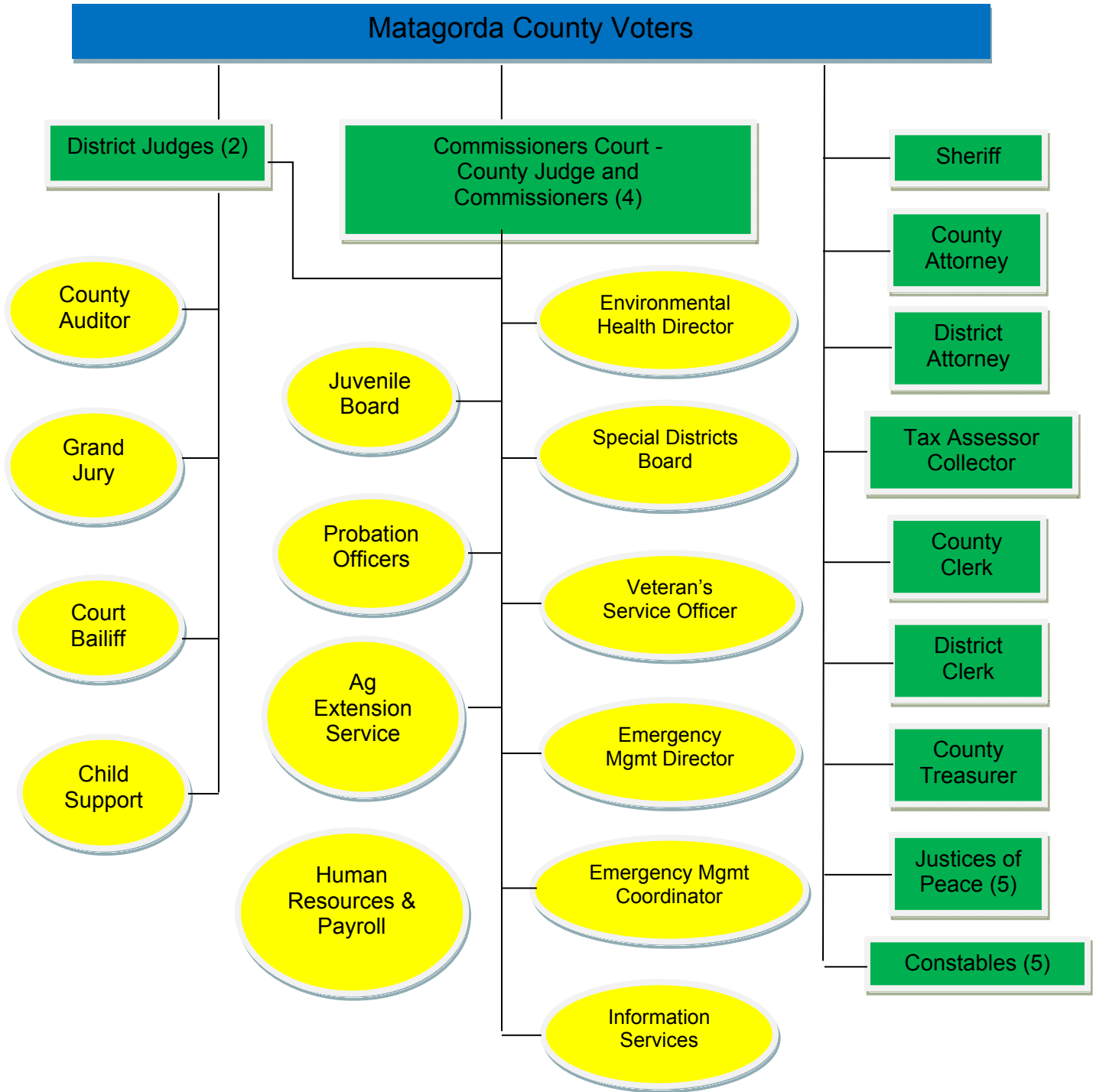
Christopher P. Morill

Executive Director/CEO

MATAGORDA COUNTY Organization Chart

Elected Officials

Appointed Officials



MATAGORDA COUNTY, TEXAS

**ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2017**

ELECTED OFFICIAL

Judge, 23rd Judicial District
Judge, 130th Judicial District
County Judge
Commissioner, Precinct #1
Commissioner, Precinct #2
Commissioner, Precinct #3
Commissioner, Precinct #4
County Sheriff
County Attorney
County Tax Collector
County Clerk
District Clerk
County Treasurer
Justice of the Peace, Precinct #1
Justice of the Peace, Precinct #2
Justice of the Peace, Precinct #3
Justice of the Peace, Precinct #4
Justice of the Peace, Precinct #6
Constable, Precinct #1
Constable, Precinct #2
Constable, Precinct #3
Constable, Precinct #4
Constable, Precinct #6

Ben Hardin
Craig Estlinbaum
Nate McDonald
Gary Graham
Kent Pollard
James Gibson
Charles Frick
Frank Osborne
Denise Fortenberry
Cristyn Hallmark
Janet Hickl
Jamie Grantz
Carmen Andrews
Jason Sanders
Suzan Thompson
Amy Tapia
Mark Finlay
Ray Taggart
Precious Smith
Frank Craft
Jesse Alvarez
Pete Medina
Bill Orton

APPOINTED OFFICIALS

County Auditor
Court Baliff
Child Support
Ag Extension Agent
Environmental Health Director
Veterans Service Office
Emergency Management Director
Emergency Management Coordinator
Information Services
Human Resources & Payroll Director

Kristen Kubecka
Bill Orton
Marlene Wells
James Engbrock
Lisa Krobot
David Libby
Nate McDonald
Doug Matthes
Chris Peikert
Carmen Andrews

FINANCIAL SECTION



Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
8 West Way Court
Lake Jackson, Texas 77566
979-297-4075

Angleton Office:
2801 N. Velasco Suite C
Angleton, Texas 77515
979-849-8297

El Campo Office:
201 W. Webb
El Campo, Texas 77437
979-543-6836

Houston Office:
10850 Richmond Ave., Ste 135
Houston, Texas 77042
281-974-3416

Independent Auditor's Report

The Honorable County Judge,
and Members of Commissioners
Court of Matagorda 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 Matagorda County, Texas (the "County") as of and for the year ended December 31, 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.

www.kmandl.com – Email: kmkw@kmandl.com

Members: American Institute of Certified Public Accountants, Texas Society of Certified Public Accountants,
Partnering for CPA Practice Success

The Honorable County Judge,
and Members of Commissioners
Court of Matagorda County, Texas

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 Matagorda County, Texas, as of December 31, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules and OPEB schedules on pages 4 to 16 and pages 66 to 70 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 introductory section, combining and individual fund statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The Honorable County Judge,
and Members of Commissioners
Court of Matagorda County, Texas

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Kennemer, Masters & Hungford, LLC

Lake Jackson, Texas
June 22, 2018

MATAGORDA COUNTY, TEXAS

Management's Discussion and Analysis For the Year Ended December 31, 2017

As management of Matagorda County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - v of this report.

Financial Highlights

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year for governmental activities by \$ 24,162,485 (net position). Of this amount, \$ 2,272,976 (unrestricted net position), may be used to meet the government's ongoing obligations to citizens and creditors with the County's fund designation.
- The County's total net position decreased for governmental activities by \$ 582,288.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$ 14,281,041. 69.86% of this amount, \$ 9,977,101 (unassigned fund balance), were available for use within the County's fund designations. Of the governmental funds amount, \$ 2,093,668 has been restricted for specific uses.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 10,736,520 or 44.75% of the total general fund expenditures.

Overview of the Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the County's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

MATAGORDA COUNTY, TEXAS

*Management's Discussion and Analysis
For the Year Ended December 31, 2017*

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The *governmental activities* of the County include general government, justice system, public safety, corrections and rehabilitation, health and human services, community and economic development, and infrastructure and environmental services. The County has no *business-type activities*.

The government-wide financial statements can be found on pages 18 and 19 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances, provides reconciliations to facilitate this comparison between governmental funds and governmental activities.

The County maintains seventeen (17) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data from the other sixteen (16) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental funds financial statements can be found on pages 20 through 25 of this report.

- **Proprietary Funds.** The County maintains one category of *proprietary fund*, the *internal service fund*. The internal service fund is an accounting device used to accumulate and allocate costs of its self-funded health insurance program among various funds and functions. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary funds financial statements can be found on pages 26 through 28 of this report.

MATAGORDA COUNTY, TEXAS

*Management's Discussion and Analysis
For the Year Ended December 31, 2017*

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's operations. The County is the trustee, or *fiduciary*, for these funds and 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 29 and a statement of changes in assets and liabilities – agency funds that can be found on pages 102 through 103.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 64 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 66 through 70 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the required supplementary information on pensions. Combining and individual statements and schedules can be found on pages 74 through 81 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 24,162,485 as of December 31, 2017. This is a decrease in net position of \$ 582,288 which is primarily due to a net increase in expenses.

The largest portion of the County's net position of \$ 20,889,826 (86.45%) reflects its investments in capital assets (e.g., land; construction in progress, vehicles and equipment, buildings and improvements and infrastructure), less any debt used to acquire those assets that is still outstanding. The County uses capital assets to provide service to citizens and consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net investment in capital assets increased by \$ 779,435 due to an increase in capital projects for the current fiscal year.

An additional portion of the County's net position of \$ 999,683 (4.14%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 2,272,976 (9.41%) may be used to meet the government's ongoing obligations to citizens and creditors.

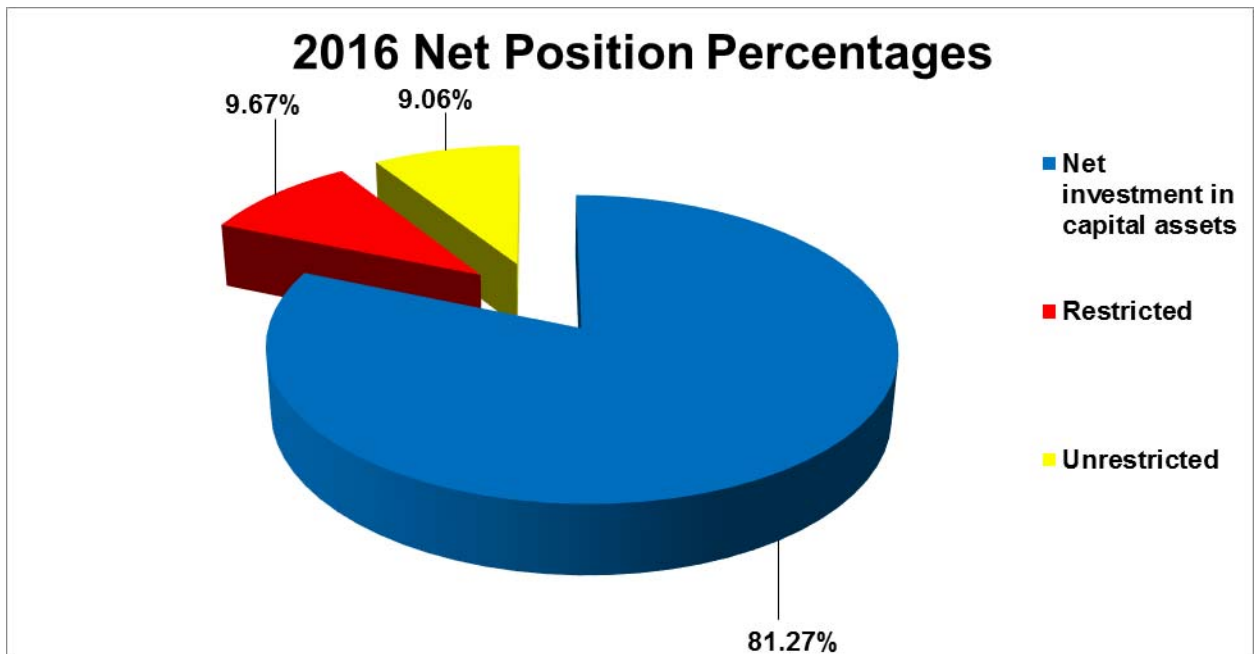
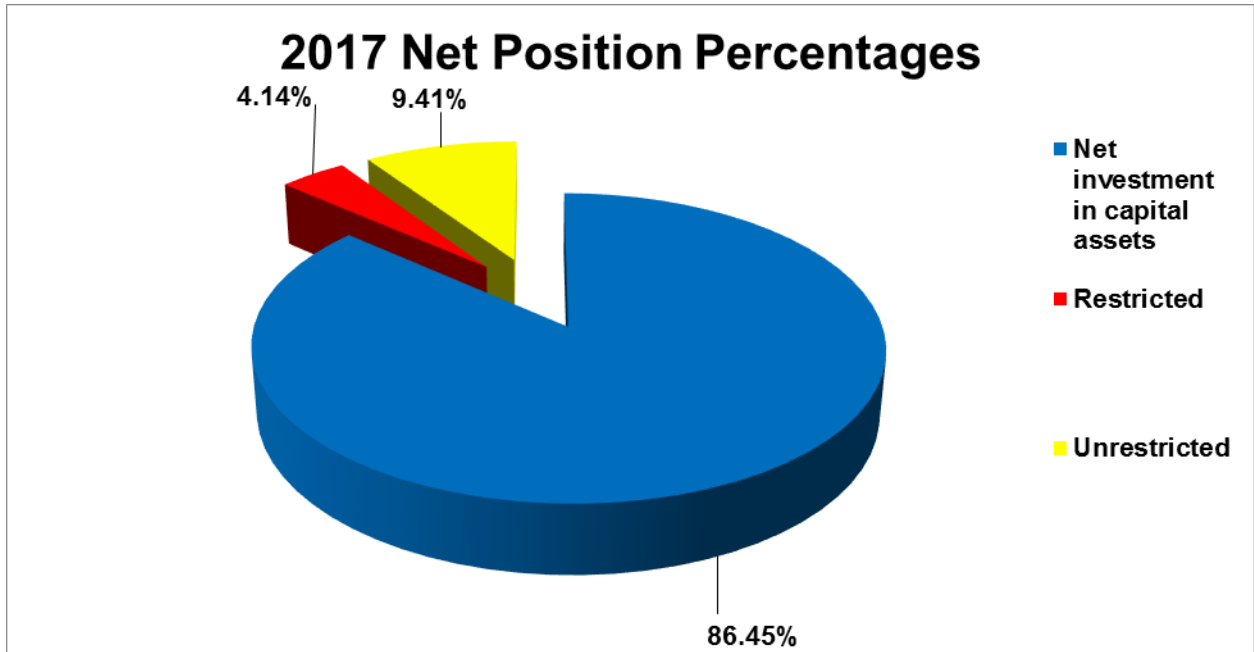
MATAGORDA COUNTY, TEXAS

*Management's Discussion and Analysis
For the Year Ended December 31, 2017*

As of December 31, 2017, the County is able to report positive balances in all three categories of net position.

MATAGORDA COUNTY'S NET POSITION

	<u>Governmental Activities</u>		<u>Net</u>
	<u>2017</u>	<u>2016</u>	<u>Change</u>
ASSETS			
Current and other assets	\$ 40,293,907	\$ 39,481,850	\$ 812,057
Capital assets	<u>23,623,584</u>	<u>23,804,822</u>	<u>(181,238)</u>
Total assets	<u>63,917,491</u>	<u>63,286,672</u>	<u>630,819</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	<u>4,334,545</u>	<u>4,998,873</u>	<u>(664,328)</u>
Total deferred outflows of resources	<u>4,334,545</u>	<u>4,998,873</u>	<u>(664,328)</u>
LIABILITIES			
Current and other liabilities	2,127,740	4,196,010	(2,068,270)
Long-term liabilities	<u>21,964,856</u>	<u>20,705,654</u>	<u>1,259,202</u>
Total liabilities	<u>24,092,596</u>	<u>24,901,664</u>	<u>(809,068)</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	<u>19,996,955</u>	<u>18,639,108</u>	<u>1,357,847</u>
Total deferred inflows of resources	<u>19,996,955</u>	<u>18,639,108</u>	<u>1,357,847</u>
NET POSITION			
Net investment in capital assets	20,889,826	20,110,391	779,435
Restricted	999,683	2,393,253	(1,393,570)
Unrestricted	<u>2,272,976</u>	<u>2,241,129</u>	<u>31,847</u>
Total net position	<u>\$ 24,162,485</u>	<u>\$ 24,744,773</u>	<u>\$ (582,288)</u>



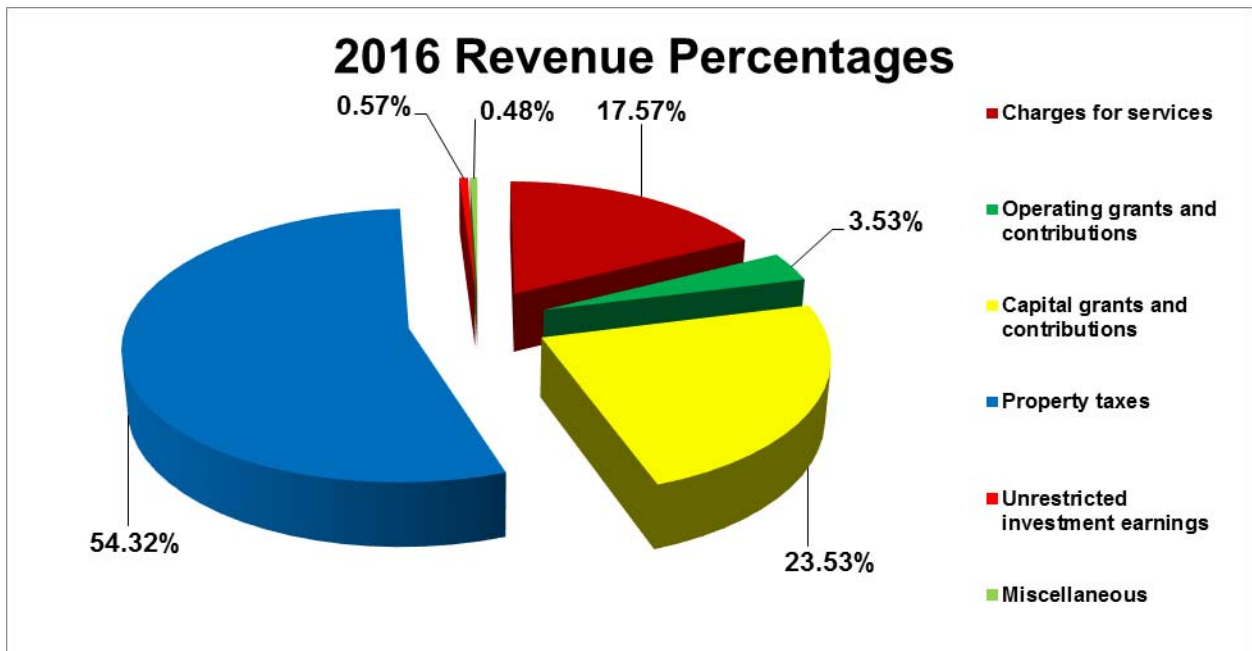
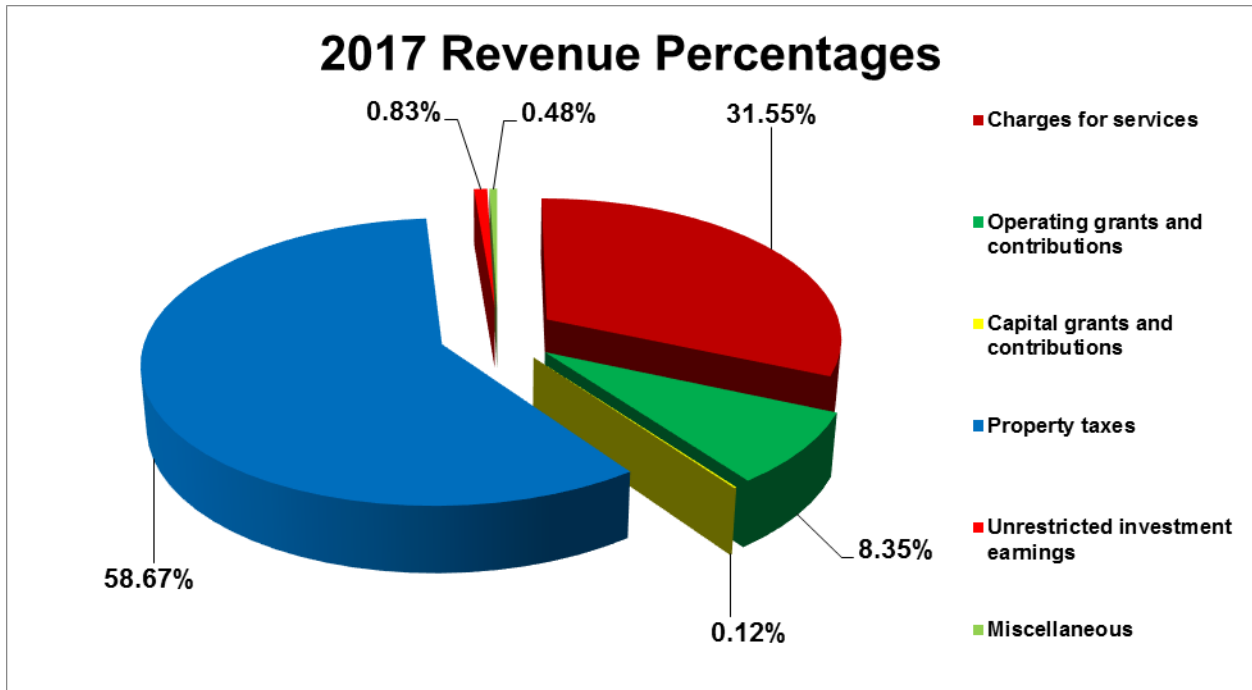
MATAGORDA COUNTY, TEXAS*Management's Discussion and Analysis**For the Year Ended December 31, 2017*

Analysis of the County's Operations. Governmental activities reported a decrease in net position in the amount of \$ 582,288 due to increased general government expenses. The following table provides a summary of the County's operations for the year ended December 31, 2017.

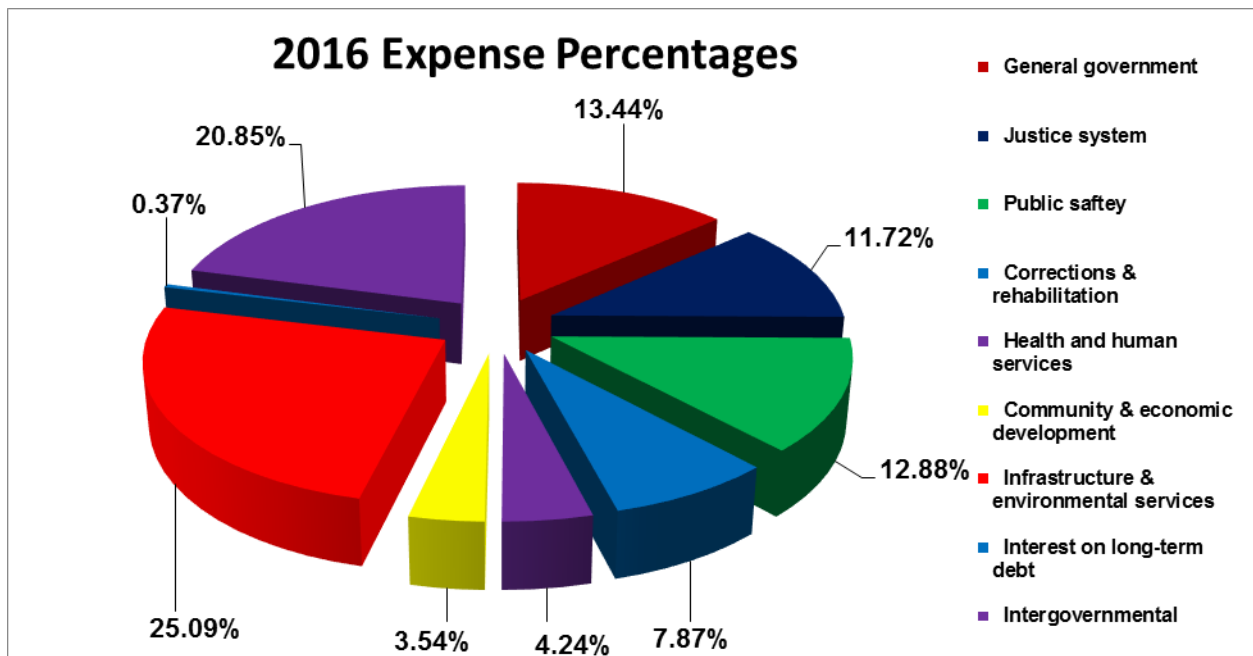
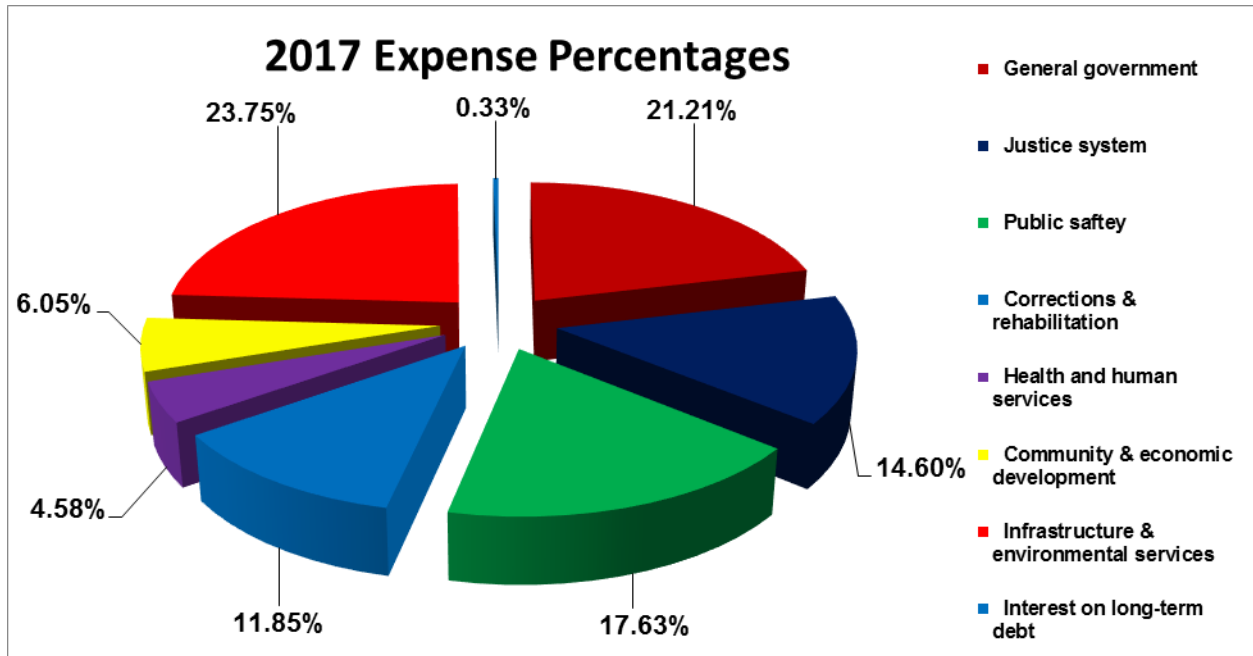
MATAGORDA COUNTY'S CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Net Change</u>
	<u>2017</u>	<u>2016</u>	
Revenues:			
Program Revenues:			
Charges for services	\$ 9,962,851	\$ 5,303,071	\$ 4,659,780
Operating grants and contributions	2,636,558	1,065,975	1,570,583
Capital grants and contributions	37,636	7,100,204	(7,062,568)
General Revenues:			
Property taxes	18,533,031	16,392,558	2,140,473
Unrestricted Investment earnings	262,237	173,033	89,204
Miscellaneous	<u>150,187</u>	<u>144,532</u>	<u>5,655</u>
Total revenues	<u>31,582,500</u>	<u>30,179,373</u>	<u>1,403,127</u>
Expenses:			
General government	6,821,388	4,594,033	2,227,355
Justice system	4,695,643	4,008,884	686,759
Public safety	5,670,232	4,404,045	1,266,187
Corrections & rehabilitation	3,811,044	2,692,576	1,118,468
Health and human services	1,474,631	1,450,050	24,581
Community & economic development	1,946,369	1,210,022	736,347
Infrastructure & environmental services	7,639,725	8,580,303	(940,578)
Intergovernmental		7,130,930	(7,130,930)
Interest on long-term debt	<u>105,756</u>	<u>124,987</u>	<u>(19,231)</u>
Total expenses	<u>32,164,788</u>	<u>34,195,830</u>	<u>(2,031,042)</u>
Increase (decrease) in net position	(582,288)	(4,016,457)	3,434,169
Net position - January 1,	<u>24,744,773</u>	<u>28,761,230</u>	<u>(4,016,457)</u>
Net position - December 31,	<u>\$ 24,162,485</u>	<u>\$ 24,744,773</u>	<u>\$ (582,288)</u>

MATAGORDA COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended December 31, 2017



MATAGORDA COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended December 31, 2017



MATAGORDA COUNTY, TEXAS

*Management's Discussion and Analysis
For the Year Ended December 31, 2017*

Financial Analysis of the County's Funds

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

Governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$ 14,281,041. The unassigned fund balance of \$ 9,977,101 constitutes 69.86% of ending fund balance. The fund balance is categorized as 1) nonspendable (\$ 523,587), 2) restricted (\$ 2,093,668), 3) committed (\$ 1,686,685), and 4) unassigned (\$ 9,977,101).

The General Fund is the chief operating fund of the County. Fund balance of the General Fund increased by \$ 2,044,859; and other (non-major) governmental funds decreased by \$1,060,966. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 42% of total general fund expenditures, and total fund balance represents 54% of that same amount.

The fund balance of Matagorda County's general fund increased by \$2,044,859 compared to a net increase of \$552,558 the prior year. Overall, revenue and other sources were up by \$2,815,031 and expenditures increased by \$1,322,730.

General Fund Budgetary Highlights. The County budget is prepared by the County Judge's Office and presented to Commissioners Court for approval. The County operates within this budget for the fiscal year with expenditure amendments made as needed.

The Commissioners' Court approved increases to budgeted operating revenue of \$2,262,569 and appropriations of \$3,989,037. Emergency building repairs from fund balance were added to the current year in the amount of \$254,150. Various grant awards were also allocated to revenue and expenditures during the year as necessary. Upon completion of the audit, the prior year committed funds were allocated to the four precincts current year budgets for an overall total of \$1,436,849.

Total General Fund revenue exceeded the budget by approximately 3.3% and total General Fund expenditures were under budget by approximately 10.4%.

MATAGORDA COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended December 31, 2017

Capital Assets

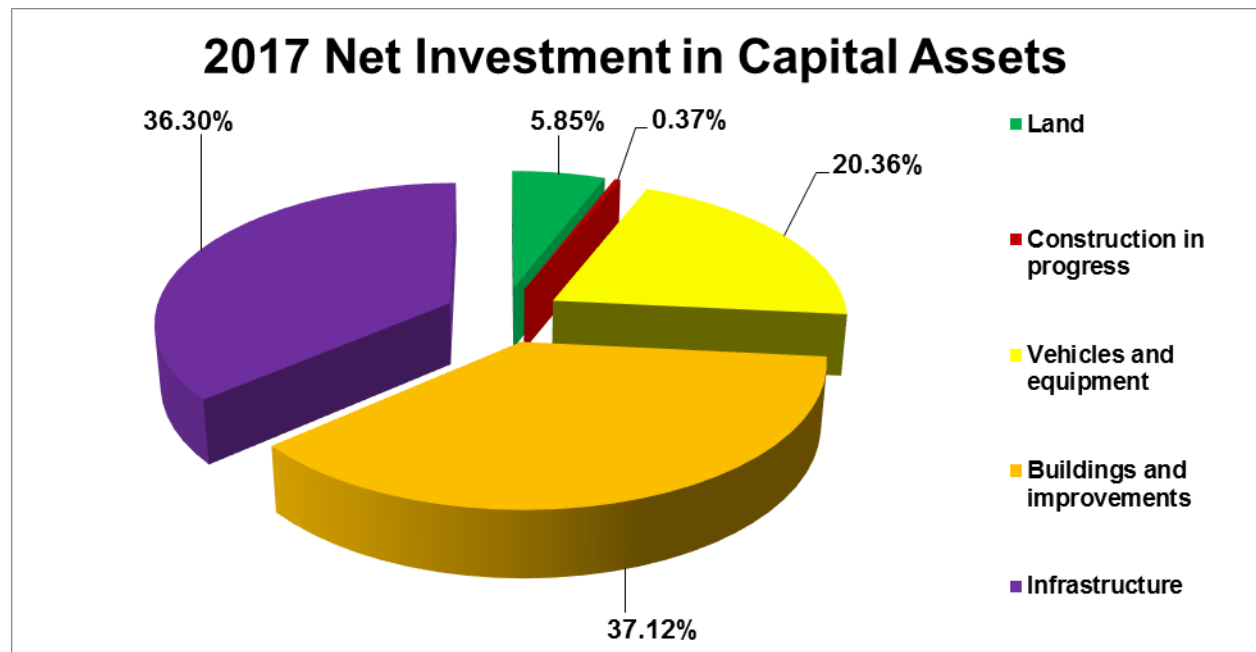
This investment in capital assets includes land; buildings and improvements; furniture, equipment and vehicles; infrastructure; and construction in progress.

Major capital asset events during the current fiscal year included the following:

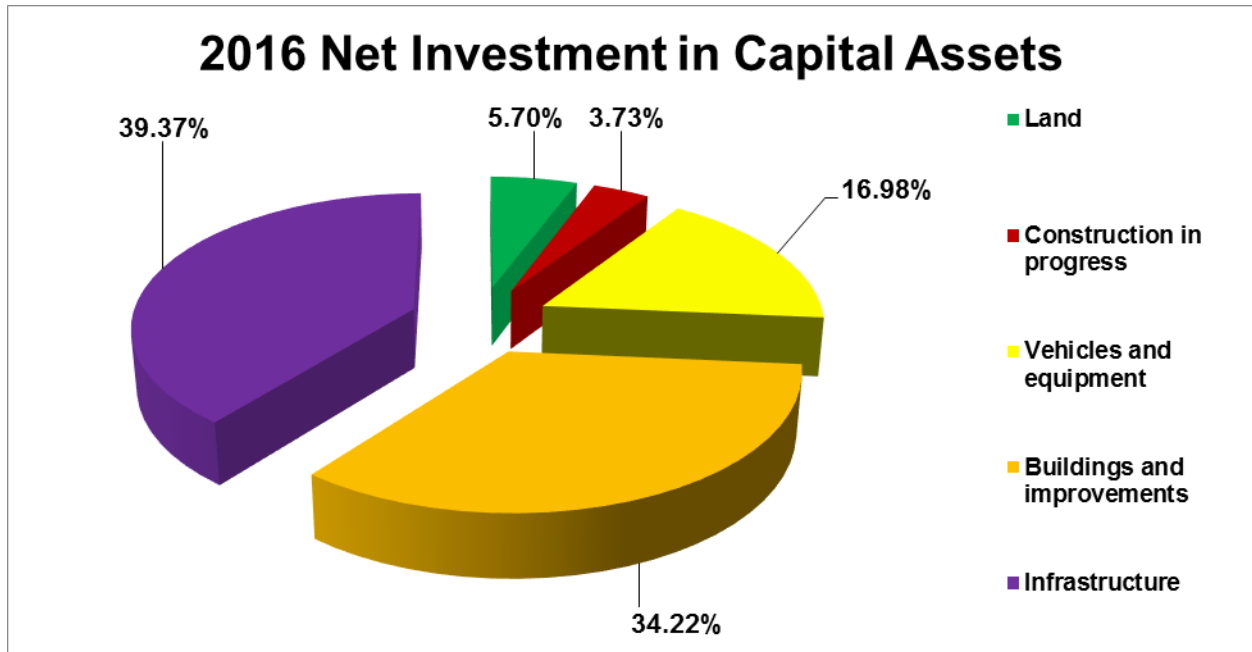
- Acquisition of land, new vehicles, and various road and bridge equipment.
- Road and bridge improvements are continuous.
- Large building renovations projects were placed in service during the current fiscal year.

MATAGORDA COUNTY'S CAPITAL ASSETS
Net of Accumulated Depreciation

	<u>Governmental Activities</u>		<u>Net</u>
	<u>2017</u>	<u>2016</u>	<u>Change</u>
Land	\$ 1,381,351	\$ 1,356,351	\$ 25,000
Construction in progress	87,613	888,599	(800,986)
Vehicles and equipment	4,809,380	4,042,381	766,999
Buildings and improvements	8,768,521	8,146,614	621,907
Infrastructure	<u>8,576,719</u>	<u>9,370,877</u>	<u>(794,158)</u>
Total	<u>\$ 23,623,584</u>	<u>\$ 23,804,822</u>	<u>\$ (181,238)</u>



MATAGORDA COUNTY, TEXAS
Management's Discussion and Analysis
For the Year Ended December 31, 2017



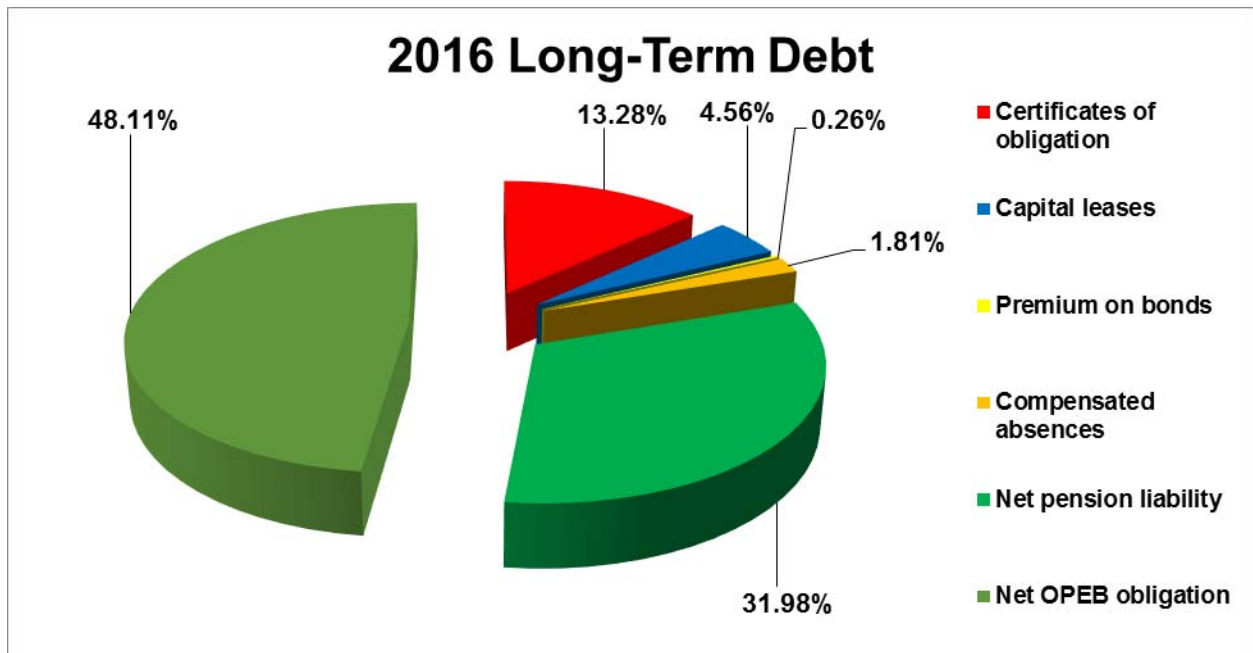
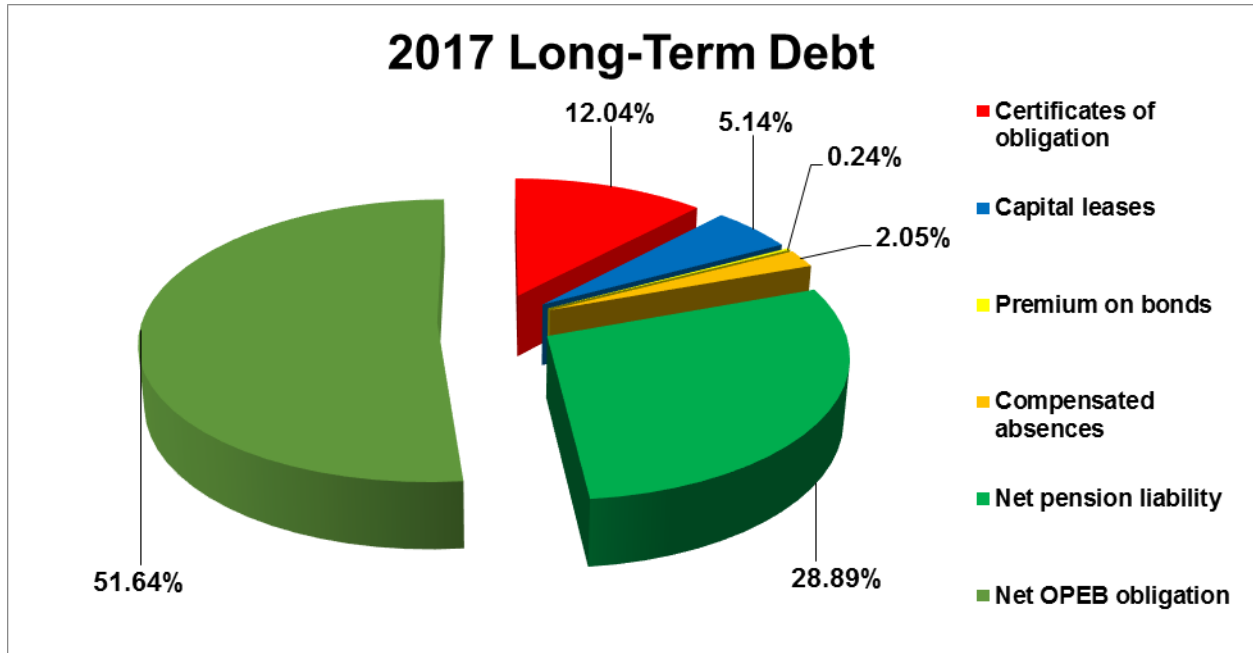
Additional information on the County's capital assets can be found in Note 5 on pages 50 through 51 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the County had a total bonded and capital lease debt of \$ 3,774,820, which, comprises bonded and debt backed by the full faith and credit of the County agreement. The bonds and capital leases will be retired with revenues from property taxes.

MATAGORDA COUNTY'S LONG-TERM DEBT
Bonds, Capital Leases, Components of Debt and Compensated Absences

	Governmental Activities		Net Change
	2017	2016	
General obligation bonds	\$ 2,645,000	\$ 2,750,000	\$ (105,000)
Capital leases	1,129,820	944,431	185,389
Premium on bonds	53,129	54,294	(1,165)
Compensated absences	450,170	375,380	74,790
Net pension liability	6,344,912	6,620,850	(275,938)
Net OPEB obligation	<u>11,341,825</u>	<u>9,960,700</u>	<u>1,381,125</u>
Total	<u>\$ 21,964,856</u>	<u>\$ 20,705,655</u>	<u>\$ 1,259,201</u>



MATAGORDA COUNTY, TEXAS

*Management's Discussion and Analysis
For the Year Ended December 31, 2017*

During the fiscal year, the County's total debt increased by \$ 1,259,201 or 6.08%. The net increase was due primarily to the increased valuation on the net OPEB valuation.

All of the outstanding Bonds of the County payable from its limited taxes are insured and are, therefore, rated "AA-" by Standard & Poor's ("S&P"). State statutes limit the amount of general obligation debt a government may issue to 25% of its total assessed valuation. The current limitation for the County significantly exceeds the outstanding general obligation debt.

Additional information on the County's long-term debt can be found in Note 7 on pages 52 through 53 of this report.

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient, effective and controlled use of the County's resources. Through the budget the County Commissioners set the direction of the County, allocate its resources and establish its priorities. The 2018 budget was adopted August 21, 2017 with General Fund expenditures of \$24,195,521 and a revenue budget of \$24,195,521.

The Commissioners' Court adopted a maintenance and operation tax rate of \$0.41898 per \$100 assessed valuation. The court also adopted an interest and sinking tax rate of \$0.00391.

The main factors affecting the 2018 budget were as follows:

- Maintaining a low tax rate is to priority; therefore the effective rate was adopted. Increased property values coupled with a ninety-five percent collection rate funded essential County needs.
- An increase in budgeted revenue for emergency response fee in the amount of \$218,527
- An increase in budgeted payroll and benefits; 5 percent for employees including elected and appointed officials.
- An increase in budgeted expenditures in the amount of \$200,000 related to a lump sum contribution was budgeted to sustain the Group Hospital Fund.

Request for Information

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Matagorda County Auditor, 2200 7th Street, Room 208, Bay City, Texas, 77414, or call (979) 241-0120.

BASIC FINANCIAL STATEMENTS

MATAGORDA COUNTY, TEXAS
STATEMENT OF NET POSITION
December 31, 2017

Exhibit 1

	<u>Governmental Activities</u>
ASSETS	
Cash and temporary investments	\$ 4,028,878
Receivables (Net of Allowance for Uncollectibles):	
Taxes	17,241,533
Accounts	3,776,944
Due from other governments	237,060
Accrued interest	53,283
Inventories	207,505
Prepaid expenses	316,082
Investments	14,432,622
Capital Assets (Net of Accumulated Depreciation):	
Land	1,381,351
Construction in progress	87,613
Vehicles and equipment	4,809,380
Buildings and improvements	8,768,521
Infrastructure	<u>8,576,719</u>
Total assets	<u>63,917,491</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	<u>4,334,545</u>
Total deferred outflows of resources	<u>4,334,545</u>
LIABILITIES	
Accounts and accrued liabilities payable	1,673,634
Accrued interest payable	36,162
Unearned revenue	417,944
Noncurrent Liabilities:	
Due within one year	778,922
Due in more than one year	14,841,022
Net pension liability	<u>6,344,912</u>
Total liabilities	<u>24,092,596</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	<u>19,996,955</u>
Total deferred inflows of resources	<u>19,996,955</u>
NET POSITION	
Net Investment in Capital Assets	20,889,826
Restricted	999,683
Unrestricted	<u>2,272,976</u>
Total net position	<u>\$ 24,162,485</u>

The notes to the financial statements are an integral part of this statement.

MATAGORDA COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Change In Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
General government	\$ 6,821,388	\$ 1,694,057	\$ 1,407,659	\$	\$(3,719,672)
Justice system	4,695,643	2,086,607	614,538		(1,994,498)
Public safety	5,670,232	3,216,636	451,970	37,636	(1,963,990)
Corrections and rehabilitation	3,811,044	870,203	41,064		(2,899,777)
Health and human services	1,474,631	89,472			(1,385,159)
Community and economic development	1,946,369	344,333	22,107		(1,579,929)
Infrastructure and environmental services	7,639,725	1,661,543	99,220		(5,878,962)
Interest on long-term debt	<u>105,756</u>				<u>(105,756)</u>
Total governmental activities	<u>32,164,788</u>	<u>9,962,851</u>	<u>2,636,558</u>	<u>37,636</u>	<u>(19,527,743)</u>
General Revenue:					
Property taxes					18,533,031
Unrestricted investment earnings					262,237
Miscellaneous					<u>150,187</u>
Total general revenues, special items, and transfers					<u>18,945,455</u>
Change in net position					(582,288)
Net position – beginning					<u>24,744,773</u>
Net position – ending					<u>\$ 24,162,485</u>

The notes to the financial statements are an integral part of this statement.

MATAGORDA COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
 December 31, 2017

Exhibit 3
 Page 1

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets and Deferred Outflows of Resources			
Assets:			
Cash and temporary investments	\$ 722,466	\$ 2,251,565	\$ 2,974,031
Receivables (Net of Allowance for Uncollectibles):			
Taxes	17,064,855	176,678	17,241,533
Accounts	1,783,820	1,023	1,784,843
Due from other governments	15,757	221,303	237,060
Accrued interest	53,283		53,283
Due from other funds	765,070		765,070
Inventories	207,505		207,505
Prepaid expenditures	316,082		316,082
Investments	<u>14,432,622</u>		<u>14,432,622</u>
Total assets	<u>35,361,460</u>	<u>2,650,569</u>	<u>38,012,029</u>
Deferred Outflows of Resources:			
Deferred outflows of resources			-0-
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 35,361,460</u>	<u>\$ 2,650,569</u>	<u>\$ 38,012,029</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts and accrued liabilities payable	\$ 1,170,843	\$ 262,703	\$ 1,433,546
Due to other funds		765,070	765,070
Unearned revenue	<u>129,115</u>	<u>72,631</u>	<u>201,746</u>
Total liabilities	<u>1,299,958</u>	<u>1,100,404</u>	<u>2,400,362</u>
Deferred Inflows of Resources:			
Deferred inflows of resources	<u>21,114,710</u>	<u>215,916</u>	<u>21,330,626</u>
Total deferred inflows of resources	<u>21,114,710</u>	<u>215,916</u>	<u>21,330,626</u>
Fund Balances:			
Nonspendable	523,587		523,587
Restricted		2,093,668	2,093,668
Committed	1,686,685		1,686,685
Unassigned	<u>10,736,520</u>	<u>(759,419)</u>	<u>9,977,101</u>
Total fund balances	<u>12,946,792</u>	<u>1,334,249</u>	<u>14,281,041</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 35,361,460</u>	<u>\$ 2,650,569</u>	<u>\$ 38,012,029</u>

The notes to the financial statements are an integral part of this statement.

MATAGORDA COUNTY, TEXAS**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
December 31, 2017**Exhibit 3R
Page 1

Total fund balances - governmental funds balance sheet (Exhibit 3)	\$ 14,281,041
Amounts reported for <i>governmental activities</i> in the statement of net position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 76,793,197 in assets less \$ 53,169,613 in accumulated depreciation.	23,623,584
Judicial accounts receivables net of related allowance for uncollectible accounts are unavailable to pay for current period expenditures and availability of funds that are uncertain as to availability are not recorded in the funds. Judicial receivables of \$ 9,814,925 net of allowance for uncollectible accounts of \$ 7,920,006 amounted to \$ 1,894,919.	1,894,919
Property taxes receivable unavailable to pay for current period expenditures are reported as deferred inflows of resources in the funds. Deferred inflows of resources (property tax revenues) for the general fund and the debt service fund amounted to \$ 2,632,211 and \$ 36,369, respectively.	2,668,580
Pension deferred outflows are reported based upon the measurement date of December 31, 2016 and are unavailable at December 31, 2017 to pay for current period expenditures and are not recorded in the funds. Pension deferred outflows of \$ 2,908,138 (differences between expected and actual experience, changes in assumptions and net differences between projected and actual experience) and pension deferred inflows of \$ 1,334,909 (differences between expected and actual experience).	1,573,229
Deferred outflows for subsequent pension contributions of \$ 1,426,407 made during the period January 1, 2017 through December 31, 2017 are charged to expenditures in the funds but do not reduce the amount of net pension liability.	1,426,407
Payables for bond principal are not reported in the funds.	(2,645,000)
Payables for capital lease principal are not reported in the funds.	(1,129,820)
Payables for net pension obligation are not reported in the funds.	(6,344,912)
Premium on the issuance of bonds provides current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 53,129 (premium on the sale of bonds of \$ 60,325 less amortization of \$ 7,196).	(53,129)
Payables for bonded debt interest are not reported in the funds except for amounts received from the sale of bonds or issuance of capital leases after the issuance date. Total accrued interest payable of \$ 36,162.	(36,162)
The liability for the unfunded annual required contribution as calculated for the retiree health insurance benefits is not reported in the funds.	(11,341,825)
Payables for compensated absences are not reported in the funds.	(450,170)
Internal service funds are used by management to charge the cost of certain activities, such as health insurance, to individual funds. The assets and liabilities of the service funds are not reported separately from the fund statements. The internal service fund balance are not reported in the funds.	<u>695,743</u>
Net position of governmental activities - statement of net position (Exhibit 1)	<u>\$ 24,162,485</u>

The notes to the financial statements are an integral part of this statement.

MATAGORDA COUNTY, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES****GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2017

Exhibit 4

Page 1

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 17,987,811	\$ 196,523	\$ 18,184,334
Licenses and permits	756,759		756,759
Intergovernmental	1,633,328	879,496	2,512,824
Charges for services	4,145,552	271,775	4,417,327
Fines	435,100		435,100
Investment income	253,760	5,346	259,106
Miscellaneous	<u>258,061</u>	<u>53,495</u>	<u>311,556</u>
Total revenues	<u>25,470,371</u>	<u>1,406,635</u>	<u>26,877,006</u>
EXPENDITURES			
Current:			
General government	4,935,825	727,022	5,662,847
Justice system	3,167,968	443,505	3,611,473
Public safety	3,783,202	346,105	4,129,307
Corrections and rehabilitation	2,227,183	120,480	2,347,663
Health and human services	1,336,275	8,710	1,344,985
Community and economic development	1,706,421	15,899	1,722,320
Infrastructure and environmental services	3,798,512	239,271	4,037,783
Capital outlay	2,660,566	356,146	3,016,712
Debt Service:			
Principal	351,156	105,000	456,156
Interest and fiscal charges	<u>27,597</u>	<u>84,963</u>	<u>112,560</u>
Total expenditures	<u>23,994,705</u>	<u>2,447,101</u>	<u>26,441,806</u>
Excess (deficiency) of revenues over expenditures	<u>1,475,666</u>	<u>(1,040,466)</u>	<u>435,200</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	12,148		12,148
Proceeds from capital leases	536,545		536,545
Transfers in	27,500	7,000	34,500
Transfers out	<u>(7,000)</u>	<u>(27,500)</u>	<u>(34,500)</u>
Total other financing sources and (uses)	<u>569,193</u>	<u>(20,500)</u>	<u>548,693</u>
Net change in fund balances	2,044,859	(1,060,966)	983,893
Fund balances - beginning	<u>10,901,933</u>	<u>2,395,215</u>	<u>13,297,148</u>
Fund balances - ending	<u>\$ 12,946,792</u>	<u>\$ 1,334,249</u>	<u>\$ 14,281,041</u>

The notes to the financial statements are an integral part of this statement.



MATAGORDA COUNTY, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO GOVERNMENTAL
ACTIVITIES STATEMENT OF ACTIVITIES**
For the Year Ended December 31, 2017

Exhibit 4R
Page 1

Net change in fund balances - total governmental funds (Exhibit 4)	\$	983,893
Amounts reported for <i>governmental activities</i> in the statement of activities (Exhibit 2) are different because:		
Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$ 3,016,712 exceeded depreciation of \$ 2,643,263 in the current period.		373,449
Property tax revenues in the governmental activities statement of activities do not provide current available resources and are not reported as revenues in the funds. Deferred inflows of resources (property tax revenues) for the general fund and debt service fund amounted to \$ 348,697.		348,697
Governmental funds report proceeds from the sale of assets as revenue. However, in the governmental activities statement of activities, the cost of the assets disposed is offset against the proceeds to report gain or loss on the disposition of assets. The costs of assets disposed were \$ 554,688. (Cost of \$ 657,457 less accumulated depreciation of \$ 102,769).	(554,688)
Judicial revenues (resulting from accounts receivable net of related allowance for uncollectible accounts) in the governmental activities statement of activities do not provide current available resources and are not reported as revenues in the funds. The change in these net receivables resulted in an increase in revenues reported in the governmental activities statement of activities.		700,848
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. The funds statements reported \$ 105,000 in certificates of obligation principal payments and \$ 351,156 in capital lease principal payments.		456,156
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. Capital lease proceeds in the governmental funds were \$ 536,545 for capital leases.	(536,545)
Premium on the issuance of bonds provides current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. Bond premium amortization was \$ 1,165.		1,165
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the net amount of change in net pension liability.	(1,190,370)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount of accretion and accrued interest on long-term debt. Current change in accrued interest on notes and bonds of \$ 5,639.		5,639

(continued)

MATAGORDA COUNTY, TEXAS

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

For the Year Ended December 31, 2017

Exhibit 4R

Page 2

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of change in the liability for underfunded annual required contribution for the post employment health insurance benefits.	\$(1,381,125)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the amount of change in compensated absences.	(74,790)
Internal service funds are used by management to charge the cost of health insurance to individual funds. The net revenue (expense) of the internal service funds is reported in the governmental activities statement of activities, not included in other reconciling items.	<u>285,383</u>
Change in net position of governmental activities (see Exhibit 2)	<u>\$(582,288)</u>

The notes to the financial statements are an integral part of this statement.

MATAGORDA COUNTY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
December 31, 2017

Exhibit 5

	Insurance Fund
ASSETS	
Cash and temporary investments	\$ 1,054,847
Other receivables	<u>97,182</u>
Total assets	<u>1,152,029</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources	<u> </u>
Total deferred outflows of resources	<u>-0-</u>
LIABILITIES	
Accounts payable	553
Claims payable	239,535
Unearned revenue	<u>216,198</u>
Total liabilities	<u>456,286</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources	<u> </u>
Total deferred inflows of resources	<u>-0-</u>
NET POSITION	
Unrestricted	<u>695,743</u>
Total net position	<u>\$ 695,743</u>

The notes to the financial statements are an integral part of this statement.

MATAGORDA COUNTY, TEXAS**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUND**

December 31, 2017

Exhibit 6

	Insurance Fund
Operating Revenues:	
Employer contributions	\$ 3,133,518
Employee contributions	211,849
Retiree/Cobra contributions	124,877
Special district contributions	<u>182,574</u>
Total assets	<u>3,652,818</u>
Operating Expenses:	
Administrative expenses	561,298
Retiree premiums	382,275
Claims expense	1,370,034
Prescriptions	<u>1,056,959</u>
Total operating expenses	<u>3,370,566</u>
Operating income	<u>282,252</u>
Nonoperating Revenues (Expenses):	
Interest and investment revenue	<u>3,131</u>
Total nonoperating revenues (expenses)	<u>3,131</u>
Change in net position	285,383
Net position – beginning	<u>410,360</u>
Net position – ending	<u>\$ 695,743</u>

The notes to the financial statements are an integral part of this statement.

MATAGORDA COUNTY, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
For the Year Ended December 31, 2017

Exhibit 7

	<u>Insurance Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,646,855
Cash payments for administration	(943,851)
Cash payments for claims	<u>(2,313,378)</u>
Net cash provided by operating activities	<u>389,626</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net cash provided by noncapital financing activities	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net cash provided by capital and related financing activities	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>3,131</u>
Net cash provided by investing activities	<u>3,131</u>
Net increase in cash and cash equivalents	392,757
Balances – beginning of year	<u>662,090</u>
Balances – end of year	\$ <u><u>1,054,847</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 282,252
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Changes in Assets and Liabilities:	
Accounts receivable	(86,346)
Accounts payable	(278)
Claims payable	113,615
Unearned revenue	<u>80,383</u>
Net cash used by operating activities	\$ <u><u>389,626</u></u>

The notes to the financial statements are an integral part of this statement.

MATAGORDA COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2017

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash and temporary investments	\$ <u>2,031,116</u>
Total assets	\$ <u><u>2,031,116</u></u>
LIABILITIES	
Accounts payable	\$ 51,020
Due to other governments	178,145
Due to others	<u>1,801,951</u>
Total liabilities	\$ <u><u>2,031,116</u></u>

The notes to the financial statements are an integral part of this statement.

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MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Matagorda County, Texas (the "County") was established in 1836 by the Republic of Texas. Commissioners elected from each of the four precincts serve as the governing body with the elected County Judge as the head of this body. The Commissioners and County Judge oversee all functions of general government applicable to the County as provided by state statutes.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted account principles. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the County's reporting entity.

Adult Probation

The Adult Probation division is operated as a multi-county department doing business as the 23rd Judicial District Community Supervision and Correction Department (CSCD) for Matagorda and Wharton Counties. The CSCD services both Matagorda and Wharton Counties with each County providing required office space for the operations of the Department and substantially all of the Department's funding provided by the State.

The Department board consists of the two District Judges for Matagorda and Wharton Counties. Matagorda County is not able to appoint a voting majority to the Department's board or otherwise impose its will. The Department is not fiscally dependent on Matagorda County since the County's role is ministerial in nature. As a result, the Department is considered to be legally separate from Matagorda County and thus is not a part of the reporting entity of Matagorda County.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government. For the most part, interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The County has no business-type activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The County has no enterprise fund.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund (excluding agency funds, which have no measurement focus but are on the accrual basis of accounting) 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.

Revenues from property and other taxes, grants and contracts, fees (charges for services), fines (including forfeitures), and interest associated with the current fiscal period are all considered to be susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Revenue from investments, including governmental external investment pools, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the County to refund all or part of the unused amount.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating and capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - continued

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, and then unrestricted resources as they are needed.

The County has presented the following major governmental funds:

The *General fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

The County reports the following fiduciary funds:

The *agency funds* account for assets that the government holds on behalf of others as their agent. The County's agency funds include County Clerk Trust, District Clerk Trust, Inmate Trust, Tax Assessor Collector and Adult Probation funds.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of Statements 67 and 68" was issued June 2015. The statement was implemented and did not have an impact on the County's financial statements. This statement is effective for periods beginning after June 15, 2016.

GASB No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" was issued June 2015. The statement was implemented and did not have an impact on the County's financial statements. This statement is effective for periods beginning after June 15, 2016.

GASB No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was issued June 2015. The management of the County does not expect the implementation of this standard to have a material effect on the financial statements of the County. This statement is effective for periods beginning after June 15, 2017.

GASB No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments" was issued June 2015. The statement was implemented and did not have an impact on the County's financial statements. This statement is effective for periods beginning after June 15, 2015.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - continued

GASB No. 77 "Tax Abatement Disclosures" was issued in August 2015. The statement was implemented and did not have an impact on the County's financial statements. This statement is effective for periods beginning after December 15, 2015.

GASB No. 78, "Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans" was issued in December 2015. The statement was implemented and did not have an impact on the County's financial statements. This statement is effective for periods beginning after December 15, 2015.

GASB No. 79, "Certain External Investment Pools and Pool Participants" was issued in December 2015. The statement was implemented and did not have an impact on the County's financial statements. This statement is effective for periods beginning after June 15, 2015, except for the provisions in paragraphs 18, 19, 23-26, and 40, which is effective for reporting periods beginning after December 15, 2015.

GASB No. 80 "Blending Requirements for Certain Component Units and amendment of GASB No. 14" was issued in January 2016. The statement was implemented and did not have an impact on the County's financial statements. This statement is effective for periods beginning after June 15, 2016.

GASB No. 81 "Irrevocable Split-Interest Agreements" was issued in March 2016. The management of the County does not expect the implementation of this standard to have a material effect on the financial statements of the County. The requirements of this Statement are effective for periods beginning after December 15, 2016.

GASB No. 82 "Pension Issues – an amendment of GASB No. 67, No. 68, and No. 73" was issued in March 2016. The statement was implemented and did not have an impact on the County's financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2016.

GASB No. 83 "Certain Asset Retirement Obligations" was issued in November 2016. The management of the County does not expect the implementation of this standard to have a material effect on the financial statements of the County. The requirements of this Statement are effective for periods beginning after June 15, 2018.

GASB No. 84 "Fiduciary Activities" was issued in January 2017. The management of the County does not expect the implementation of this standard to have a material effect on the financial statements of the County. The requirements of this Statement are effective for periods beginning after December 15, 2018.

GASB No. 85 "Omnibus 2017" was issued in March 2017. The management of the County does not expect the implementation of this standard to have a material effect on the financial statements of the County. The requirements of this Statement are effective for periods beginning after June 15, 2017.

GASB No. 86 "Certain Debt Extinguishment Issues" was issued in May 2017. The management of the County does not expect the implementation of this standard to have a material effect on the financial statements of the County. The requirements of this Statement are effective for periods beginning after June 15, 2017.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - continued

GASB No. 87 "Leases" was issued in June 2017. The management of the County does not expect the implementation of this standard to have a material effect on the financial statements of the County. The requirements of this Statement are effective for periods beginning after December 15, 2019.

Budgetary Data

The budget law of the State of Texas provides that amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in the funds, plus the anticipated revenues for the current year as estimated by the County Auditor. The legal level of budgetary control is at the category or line item level (salaries and wages and employee benefits, and operating expenditures) within departments of each fund. Any expenditure, which alters the total budgeted amounts of a fund must be approved by Commissioners Court, and the budget amended. Budgets are adopted on a basis consistent with generally accepted accounting principles.

Annual appropriated budgets are adopted for the General fund, certain special revenue funds (District Attorney Legal/Law Fund, Sheriff & Jail Discretionary Fund, County Clerk Preservation & Automation Fund, Countywide Records Management Preservation Fund, Courthouse Security Fund, Justice Court Technology Fund, District Clerk Records Management Preservation Fund, County & District Court Technology Fund, and Historical Commission Fund), and the Debt Service fund.

Prior to May 1 of each year, or as soon thereafter as practical, the County Judge, assisted by the County Auditor, prepares a proposed operating budget for the subsequent fiscal year. The proposed operating budget establishes estimated revenues and other resources available for appropriation. Proposed expenditures may not exceed estimated revenues, other resources, and available fund balances.

Subsequent to May 15 and after proper publication of notice, a public hearing is conducted by the Commissioners Court to obtain taxpayer comments. If an increase to the effective tax rate of more than 3% is proposed as a result of the proposed budget, additional notices and public hearings are required.

After the public hearing(s) the Commissioners Court makes appropriate budget changes and adopts the budget through the passage of an order at a regularly scheduled meeting. A separate order is adopted to levy the taxes necessary to finance the budgeted expenditures.

Although the level of budgetary control is total revenues plus available fund balance, the County adopts its budget at a line-item level for managerial control purposes. Line item level is defined for revenue purposes as the type of revenue to be derived and for expenditure purposes by department and type of expenditures (salaries and wages, and employee benefits; operating expenses/expenditures; and capital outlay).

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Budgetary Data - continued

At the discretion of Commissioners Court, transfers of line item budgets within a fund may be made. Amendments to provide for items not included in the original budget may be made by the Commissioners Court upon finding and declaration of the existence of an emergency sufficient to require action. County management has no prerogative to amend the budget without the approval of Commissioners Court. Appropriations not exercised in the current year lapse at the end of the year. Numerous supplemental budget amendments in the general and special revenue funds were deemed necessary due to the timing of planned expenditures and construction projects.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized. Encumbrances outstanding at year-end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. As of December 31, 2017, the County had no encumbrances outstanding.

Cash and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the County. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value.

The County maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as cash and temporary investments under each fund's caption. Funds are allowed to exceed the amount of their equity in the pooled cash account. Funds with overdrawn accounts are disclosed as an interfund payable in the liability section of the balance sheet.

Property Taxes

Property taxes are levied as of October 1st of each year with statements prepared and mailed at that date or soon thereafter. The tax levy is based upon appraised property values as of each previous January 1st for all taxable property within the County. Payments are due and payable when taxes are levied and may be timely paid through January 31st. On February 1st, taxes become delinquent and subject to penalty and interest charges. After June 30th, any uncollected taxes are subject to tax suit and additional charges to offset related legal costs. The lien date for property taxes is July 1st.

The appraisal of property within the county is the responsibility of the Matagorda County Appraisal District. The Texas Legislature established the Appraisal District and the related Appraisal Review Board in 1979 through the adoption of a comprehensive Property Tax Code. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Real property is reappraised at least every four years. Under certain circumstances, taxpayers and taxing units including the County, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes - continued

Under the Code, the Commissioners Court will continue to set annual tax rates on the property. The Code also provides that, if approved by the qualified voters in the Appraisal District, collection functions may be placed with the Appraisal District. The County bills and collects its property taxes and those of certain other taxing entities. Collections of those taxes pending distribution are accounted for in an agency fund.

The County is permitted by Article VIII, Section 9 of the State of Texas Constitution to levy taxes up to \$.80 per \$ 100 assessed valuation for general governmental services including payment of principal and interest on general long-term debt and maintenance of roads and bridges. Article 6790 of Vernon's Civil Statutes permits the County to collect an additional \$.15 per \$ 100 valuation for road and bridge purposes. Article 7048a of Vernon's Civil Statutes permits the County to collect \$.30 per \$ 100 valuation for road, bridge and flood control purposes.

The County's 2016 tax levy, supporting the 2017 fiscal period budget, totaled \$ 0.41898 per \$ 100 valuation and was comprised as follows:

General Fund	\$ 0.41507
Debt Service	<u>0.00391</u>
Combined tax rate	<u>\$ 0.41898</u>

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The County had no advances between funds. All activity between funds was for short-term cash flow requirements. See Note 5 for additional discussion of interfund receivables and payables.

Inventories and Prepaid Items

The County utilizes the consumption method to account for inventory and prepaid expenditures. Under this method, inventory and prepaid expenditures are considered an expenditure when used rather than when purchased. Significant inventories are reported on the balance sheet at cost, using the first-in, first-out method, with an offsetting reservation of fund balance in the governmental fund financial statements since they do not constitute "available spendable resources" even though they are a component of current assets. Inventories in the governmental funds are comprised of road materials, bulk fuel, parts, and chemicals. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in government-wide and prepaid expenditures in the fund financial statements.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets

Capital assets, which include land, construction in progress, vehicles and equipment, buildings and improvements, and infrastructure are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their acquisition value on the date of donation. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. During the year ended December 31, 2017, no capitalized interest was included in the cost of capital assets under construction.

Assets capitalized have an original cost of \$ 5,000 or more and over two years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Leased assets are depreciated over the lesser of the term of the related lease or the estimated useful lives of the assets. Estimated useful lives are as follows:

Vehicles and equipment	5-20 Years
Buildings and improvements	40-60 Years
Infrastructure	15-40 Years

Compensated Absences

It is the County’s policy to permit employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability is matured as a result of employee resignation or retirement.

Accumulated sick leave lapses when employees leave the employ of the county and, upon separation from service, no monetary obligation exists.

The liability for compensated absences disclosed in the financial statements represents accumulated vacation and compensatory time at December 31, 2017, computed at pay rates in effect at that time was \$ 450,170.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as interest and fiscal charge expenses.

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

Fund Equity

The County's Commissioners Court meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The County's unassigned General Fund Balance is maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the County's Commissioners Court. Fund Balance of the County may be committed for a specific source by formal action of the County's Commissioners Court. Amendments or modifications of the committed fund balance must also be approved by formal action of the County's Commissioners Court. When it is appropriate for fund balance to be assigned, the County's

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity - continued

Commissioners Court has delegated authority to the County Judge or the County Auditor. 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 are as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Fund Balance Classifications:

The *non-spendable* fund balance includes a portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include inventories, prepaid expenditures and long-term receivables.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, and contributors), laws and regulations of other governments, or through enabling legislation.

The enabling legislation authorizes the County to access, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation. The County's fee revenue generated through enabling legislations include auto registration fees, birth/death certificate fees, adult bond supervision fees, child abuse protection fees, court technology fees, election service fees, family protection fees, financial security fees, juvenile case management fees, law library fees, records archive fees, and records management and preservation fees reported under Non-Major Special Revenue Funds, and auto registration fees, certificates of title, and gross weight and axle fees reported under the Road and Bridge Major Fund.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Commissioners Court actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources. At December 31, 2017, the Commissioners agreed to commit fund balances for each of the four precincts unspent budgeted funds at year end to be added to the subsequent year's approved budget.

The *assigned* fund balance includes amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by Commissioners Court or its designated officials to assign amounts to be used. Constraints imposed on the use of assigned amounts can be removed with no formal Commissioners Court actions. At December 31, 2017, there are no assignments of fund balance.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes. The general fund is the only fund that reports a positive unassigned fund balance amount.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Fund Financial Statements:

The following schedule presents details of fund balance components at December 31, 2017:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:			
Non-spendable:			
Inventories	\$ 207,505	\$	\$ 207,505
Prepaid expenditures	316,082		316,082
Restricted:			
Capital projects		1,094,191	1,094,191
Contributor purposes		15,641	15,641
Court improvements and operations		160,162	160,162
Debt service		32,956	32,956
Federal grants		4,000	4,000
Juvenile services		5,814	5,814
Records management		597,163	597,163
County/District attorney services		116,199	116,199
Sheriff services		67,542	67,542
Committed:			
Precincts	1,686,685		1,686,685
Unassigned	<u>10,736,520</u>	<u>(759,419)</u>	<u>9,977,101</u>
Total fund balances	<u>\$ 12,946,792</u>	<u>\$ 1,334,249</u>	<u>\$ 14,281,041</u>

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position:	<u>Governmental</u>
	<u>Activities</u>
Net investment in capital assets	\$ 20,889,826
Restricted:	
Contributor purposes	15,641
Court improvements and operations	160,162
Debt service	33,162
Federal grants	4,000
Juvenile services	5,814
Records management	597,163
County/District attorney services	116,199
Sheriff services	67,542
Unrestricted	<u>2,272,976</u>
Total	<u>\$ 24,162,485</u>

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES

The County classifies deposits and investments for financial statement purposes as cash and temporary investments, and investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, a temporary investment is one that when purchased had a maturity date of three months or less. Investments are classified as either short-term investments or investments. Short-term investments have a maturity of one year or less and investments are those that have a maturity of one year or more. See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures. Cash and temporary investments as reported on the financial statements at December 31, 2017 are as follows:

	<u>Governmental</u>	<u>Proprietary</u>	<u>Fiduciary</u>	<u>Total</u>
	<u>Funds</u>	<u>Funds</u>	<u>Funds</u>	
Cash and Temporary Investments:				
Cash (petty cash accounts)	\$ 5,175	\$	\$	\$ 5,175
Financial Institution Deposits:				
Demand deposits	<u>2,968,856</u>	<u>1,054,847</u>	<u>2,031,116</u>	<u>6,054,819</u>
Sub-total	<u>2,974,031</u>	<u>1,054,847</u>	<u>2,031,116</u>	<u>6,059,994</u>
Investments:				
Broker Dealer:				
U.S. Agency Securities	10,605,992			10,605,992
Certificates of deposit	<u>3,826,630</u>			<u>3,826,630</u>
Sub-total	<u>14,432,622</u>	<u>-0-</u>	<u>-0-</u>	<u>14,432,622</u>
Total Cash and Temporary Investments and Investments	<u>\$ 17,406,653</u>	<u>\$ 1,054,847</u>	<u>\$ 2,031,116</u>	<u>\$ 20,492,616</u>

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to them. The County requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

At year-end, in addition to petty cash and change funds accounts of \$ 5,175, the carrying amount of the County's financial institution deposits, was \$ 20,487,441, while the financial institution balances totaled \$ 50,499,659. Of these balances, \$ 816,395 represents amounts controlled by County courts and held by various financial institutions jointly under the name of the County and the court's beneficiaries and carrying the identification number of the beneficiaries. These accounts are entirely covered by federal deposit insurance. Of the remaining balances, \$ 250,000 was covered by federal depository insurance coverage and \$ 49,433,264 was covered by collateral held by the County's agent in the County's name.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds under written investment policy (the "investment policy"). The investment policy primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The County's deposits and investments are invested pursuant to the investment policy, which is approved by Commissioners Court. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the County will deposit funds is addressed. The County's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The County's management believes it complied with the requirements of the PFIA and the County's investment policy.

The County's Investment Officer submits an investment report each quarter to the Commissioners Court. The report details the investment positions of the County and the compliance of the investment portfolio as it relates to both the adopted investment strategy statements and Texas state law.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - continued

The County is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. No-load money market mutual funds: regulated by SEC, with a dollar-weighted average stated maturity of 90 days or less, includes in its investment objectives the maintenance of a stable \$ 1.00 net asset value per each share, and limited in quantity to the requirements, set forth in Chapter 2256, Government Code Section 2256.014;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;
6. Certificates of deposit if issued by a state or national bank domiciled in the State of Texas and is: guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, secured in any manner and amount provided by law for deposits of the County;
7. Fully collateralized repurchase agreements, if it: has a defined termination date, is secured by obligations described by Section 2256.009(a)(1) of the Public Funds Investment Act, requires the securities being purchased by the County to be pledged to the County, held in the County's name, and deposited at the time the investment is made with the County or with a third party selected and approved by the County, is placed through a primary government securities dealer, approved by the County, or a financial institution doing business in the State of Texas;
8. Commercial paper is an authorized investment, if the commercial paper: has a stated maturity of 270 days or fewer from the date of its issuance, and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit agencies or one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state;
9. Eligible investment pools if the Commissioners Court by resolution authorizes investment in the particular pool. An investment pool shall invest funds it receives from entities in authorized investments permitted by the Public Funds Investment Act. The County by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds; and,

The County is invested in certificates of deposit at various financial institutions to provide its liquidity needs. The overall weighted average maturity of less than 365 days. This investment is insured, registered, or the County's agent holds the securities in the County's name; therefore, the County is not exposed to custodial credit risk with these deposits.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments - continued

As of December 31, 2017, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Certificates of Deposit	\$ 3,826,630	471
U.S. Agency Securities	<u>10,605,992</u>	<u>871</u>
Total	<u>\$ 14,432,622</u>	<u>764</u>

Credit Risk – As of December 31, 2017, the United States securities and agencies (which represent 73.49% of the investment portfolio) were covered by private insurance and the certificates of deposit (which represents 26.51% of the investment portfolio) were covered by private insurance, respectively, therefore, the County does not have a significant exposure to credit risk.

Interest Rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities may be purchased, which complement each other in a structured manner that minimizes risk and meets the County's cash flow requirements.

Fair Value Measures

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under GASB Statement No. 72 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Fair Value Measures - continued

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the County's assets at fair value as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Agency Securities	\$ <u>10,605,992</u>	\$ _____	\$ _____	\$ <u>10,605,992</u>
Total assets at fair value	\$ <u>10,605,992</u>	\$ <u>_____ -0-</u>	\$ <u>_____ -0-</u>	\$ <u>10,605,992</u>

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The County made no direct investments in derivatives during the year ended December 31, 2017, and holds no direct investments in derivatives at December 31, 2017.

NOTE 3 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND UNEARNED REVENUES

Receivables and Allowances

Receivables as of December 31, 2017, for the government's individual governmental major and nonmajor funds, internal service funds, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Major Funds</u>	<u>Non-Major Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Governmental Funds</u>
Receivables:			
Property taxes	\$ 17,229,246	\$ 176,913	\$ 17,406,159
Accounts	1,783,820	1,023	1,784,843
Due from other governments	15,757	221,303	237,060
Accrued interest	<u>53,283</u>	<u>_____</u>	<u>53,283</u>
Gross receivables	19,082,106	399,239	19,481,345
Less Allowance for Uncollectible:			
Property taxes	<u>164,391</u>	<u>235</u>	<u>164,626</u>
Net receivables	<u>\$ 18,917,715</u>	<u>\$ 399,004</u>	<u>\$ 19,316,719</u>

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 3 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND UNEARNED REVENUES - Continued

Receivables From Other Governments

The County participates in a variety of federal and state programs from which it receives grants to, partially or fully, finance certain activities. In addition, the County receives entitlements from the State through the legislative actions and taxes collected by the State on behalf of the County (other taxes). All federal grants shown below are either direct or passed through state or local agencies and are reported on the financial statements as due from other governments.

Amounts due from federal, state, and local governments as of December 31, 2017 are summarized below:

	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
Major Governmental Funds:			
General fund	\$	\$ 15,757	\$ 15,757
Non-major governmental funds	<u>206,120</u>	<u>15,183</u>	<u>221,303</u>
Total	<u>\$ 206,120</u>	<u>\$ 30,940</u>	<u>\$ 237,060</u>

Judicial Receivables

Judicial receivables are reported in the governmental activities statement of net position. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to the County's various court assessments is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The following is a summary of the receivable and allowance for uncollectible as of December 31, 2017:

	<u>Judicial Receivable</u>	<u>Allowance for Uncollectible Accounts</u>	<u>Net Receivable</u>
Judicial Receivables:			
Justice of the Peace	\$ 1,569,546	\$ 277,367	\$ 1,292,179
County courts	2,259,601	1,865,045	394,556
District courts	<u>5,985,778</u>	<u>5,777,594</u>	<u>208,184</u>
Total	<u>\$ 9,814,925</u>	<u>\$ 7,920,006</u>	<u>\$ 1,894,919</u>

Governmental Funds

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. As of December 31, 2017, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 3 - RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES AND UNEARNED REVENUES - Continued

Governmental Funds - continued

	<u>Governmental Funds</u>		
	General	Other	
	Fund	Governmental	Total
	<u> </u>	<u> </u>	<u> </u>
Deferred Inflows of Resources:			
Delinquent property taxes			
receivable	\$ 21,114,710	\$ 215,916	\$ 21,330,626
Unearned Revenue:			
State grants	77,010	72,631	149,641
Other	<u>52,105</u>	<u> </u>	<u>52,105</u>
 Total	 <u>\$ 21,243,825</u>	 <u>\$ 288,547</u>	 <u>\$ 21,532,372</u>

Governmental Activities

Governmental activities defer the recognition of pension expense for contributions made from the measurement date (December 31, 2016) to the current year-end of December 31, 2017 and report these as deferred outflows of resources. Governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of December 31, 2017, the various components of deferred outflows and inflows of resources and unearned revenue reported in the governmental activities were as follows:

<u>Governmental Activities:</u>	<u>Deferred</u>	<u>Deferred</u>	<u>Unearned</u>
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Revenue</u>
	<u>Resources</u>	<u>Resources</u>	<u> </u>
Pension Related:			
Differences between expected and actual experience	\$ 157,407	\$ 1,334,909	\$
Differences between projected and actual investment	2,470,978		
earnings	279,753		
Changes in assumptions	1,426,407		
Subsequent contributions		18,662,046	
Property taxes			
Unearned Revenue:			
State grants			149,641
Self insurance			52,105
Other			<u>216,198</u>
 Totals	 <u>\$ 4,334,545</u>	 <u>\$ 19,996,955</u>	 <u>\$ 417,944</u>

MATAGORDA COUNTY, TEXAS
Notes to the Financial Statements
 For The Year Ended December 31, 2017

NOTE 4 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables at December 31, 2017 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>12-31-17</u>
General Fund	Other Governmental Funds	\$ <u>765,070</u>
Total		\$ <u><u>765,070</u></u>

Interfund receivables and payables represent short-term borrowings primarily for cash flow purposes. These include short-term borrowings for reimbursement grants and some revenue or expenditures/expense adjustments between funds at or near year-end.

Interfund transfers for the year ended December 31, 2017 consisted of the following individual fund transfers in and transfers out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>12-31-17</u>
General Fund	Other Governmental Funds	\$ 7,000
Other Governmental Funds	General Fund	<u>27,500</u>
Total		\$ <u><u>34,500</u></u>

The Commissioners Court approved these transfers, as transfers of operational funds to cover planned expenditures/expenses.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 5 - CAPITAL ASSETS

Capital Transactions

	<u>Balance 01-01-17</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments & Transfers</u>	<u>Balance 12-31-17</u>
Governmental Activities:					
Capital Assets, Not Depreciated:					
Land	\$ 1,356,351	\$ 25,000	\$	\$	\$ 1,381,351
Construction in progress	<u>888,599</u>	<u>423,990</u>	<u></u>	<u>(1,224,976)</u>	<u>87,613</u>
Total capital assets not being depreciated	<u>2,244,950</u>	<u>448,990</u>	<u>-0-</u>	<u>(1,224,976)</u>	<u>1,468,964</u>
Capital Assets, Being Depreciated:					
Vehicles and equipment	12,259,652	991,266	108,857	653,436	13,795,497
Buildings and improvements	14,467,484	356,146		571,540	15,395,170
Infrastructure	<u>45,461,856</u>	<u>1,220,310</u>	<u>548,600</u>	<u></u>	<u>46,133,566</u>
Total capital assets being depreciated	<u>72,188,992</u>	<u>2,567,722</u>	<u>657,457</u>	<u>1,224,976</u>	<u>75,324,233</u>
Less Accumulated Depreciation For:					
Vehicles and equipment	8,217,271	871,616	102,770		8,986,117
Buildings and improvements	6,320,870	305,779			6,626,649
Infrastructure	<u>36,090,979</u>	<u>1,465,868</u>	<u></u>	<u></u>	<u>37,556,847</u>
Total accumulated depreciation	<u>50,629,120</u>	<u>2,643,263</u>	<u>102,770</u>	<u>-0-</u>	<u>53,169,613</u>
Total capital assets being depreciated, net	<u>21,559,872</u>	<u>(75,541)</u>	<u>554,687</u>	<u>1,224,976</u>	<u>22,154,620</u>
Governmental activities capital assets, net	<u>\$ 23,804,822</u>	<u>\$ 373,449</u>	<u>\$ 554,687</u>	<u>\$ -0-</u>	<u>\$ 23,623,584</u>

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 5 - CAPITAL ASSETS - Continued

Depreciation

Depreciation expense was charged as direct expense to functional categories of the County as follows:

	<u>12-31-17</u>
Governmental Activities:	
General government	\$ 188,673
Justice system	7,220
Public safety	300,782
Corrections and rehabilitations	25,432
Community and economic development	26,966
Infrastructure and environmental services	<u>2,094,190</u>
 Total depreciation expense	 \$ <u>2,643,263</u>

Construction Commitments

There were no construction commitments as of December 31, 2017.

NOTE 6 - DISAGGREGATION OF ACCOUNTS AND ACCRUED LIABILITIES PAYABLE

Accounts and accrued liabilities payable as of December 31, 2017, for the government's individual governmental major and nonmajor funds, and fiduciary funds in the aggregate are as follows:

	<u>Governmental Funds</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Accounts and Accrued Liabilities Payable:			
Vendors	\$ 625,070	\$ 204,213	\$ 829,283
Other governments	127,320	629	127,949
Accrued compensation	307,032		307,032
Due to others	<u>111,421</u>	<u>57,861</u>	<u>169,282</u>
 Total	 <u>\$ 1,170,843</u>	 <u>\$ 262,703</u>	 <u>\$ 1,433,546</u>

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 6 - DISAGGREGATION OF ACCOUNTS AND ACCRUED LIABILITIES PAYABLE - Continued

	<u>Fiduciary Funds</u>
Accounts and Accrued Liabilities Payable:	
Vendors	\$ 5,432
Restitution payable	<u>45,588</u>
 Total	 <u>\$ 51,020</u>

NOTE 7 - LONG-TERM DEBT

Certificate of Obligation Bonded Debt

Certificates of obligations payable at December 31, 2017, are summarized as follows:

	Interest Rate %	Series Dates			Bonds Outstanding 12-31-17
		Issued	Maturity	Callable	
Certificates of Obligation Bonds	1.704 -				
Taxable Series 2015	4.627	2015	2035	2025	<u>2,645,000</u>
 Total					 <u>\$ 2,645,000</u>

General obligation and certificates of obligation bond transactions for the year ended December 31, 2017 were as follows:

Bonds outstanding, January 1, 2017	\$ 2,750,000
Issued	-0-
Refunded	-0-
Maturities	<u>(105,000)</u>
 Bonds outstanding, December 31, 2017	 <u>\$ 2,645,000</u>

The bond ordinances require that a tax be levied sufficient to pay current interest and create a sinking fund of not less than the amount to pay current principal and interest. The current year tax levy was set to utilize the excess fund balance above the bond ordinance requirement. For the year ended December 31, 2017, the amount of ad valorem taxes collected for interest and sinking were \$ 196,523, while the debt service requirements for principal and interest was \$ 189,963. The bond resolutions provide no express remedies in the event of default and make no provision for acceleration of maturity of the bonds.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 7 - LONG-TERM DEBT - Continued

General Obligation Bonded Debt

The following is a summary of certificate of obligation bond requirements by year as of December 31, 2017:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2018	\$ 110,000	\$ 81,338	\$ 191,338
2019	115,000	77,963	192,963
2020	115,000	74,513	189,513
2021	120,000	70,988	190,988
2022	125,000	67,313	192,313
2023-2027	695,000	276,263	971,263
2028-2032	810,000	163,281	973,281
2033-2035	<u>555,000</u>	<u>29,485</u>	<u>584,485</u>
 Total	 <u>\$ 2,645,000</u>	 <u>\$ 841,144</u>	 <u>\$ 3,486,144</u>

On August 24, 2015 the County sold \$ 2,750,000 of Certificate of Obligation Bonds, Taxable Series 2015. These bonds were issued for the purpose of county-wide improvements to various capital assets within the County.

Changes in Long-Term Debt

Transactions for the year ended December 31, 2017 are summarized as follows:

	<u>Balance 01-01-17</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance 12-31-17</u>	<u>Due Within One Year</u>
Governmental Type Activities:					
Certificate of obligation bonds	\$ 2,750,000	\$	\$ 105,000	\$ 2,645,000	\$ 110,000
Capital leases	944,431	536,545	351,156	1,129,820	364,998
Compensated absences	375,380	438,101	363,311	450,170	300,867
Net pension liability	6,620,850	1,034,309	1,310,247	6,344,912	
Net OPEB obligation	9,960,700	2,329,525	948,400	11,341,825	
Premium on bonds	<u>54,294</u>	<u></u>	<u>1,165</u>	<u>53,129</u>	<u>3,057</u>
 Total governmental activities	 <u>\$ 20,705,655</u>	 <u>\$ 4,338,480</u>	 <u>\$ 3,079,279</u>	 <u>\$ 21,964,856</u>	 <u>\$ 778,922</u>

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 8 - CAPITAL LEASES PAYABLE

Capital Leases

The County has entered into several capital lease agreements for the purchase of vehicles and equipment. Payments for the leases during the year ended amounted to principal in the amount of \$ 351,156 and interest in the amount of \$ 27,597. Payments, including interest for vehicles and equipment are due as follows as of December 31, 2017:

Year Ended <u>December 31,</u>	
2018	\$ 400,550
2019	400,084
2020	231,640
2021	88,346
2022	<u>88,344</u>
Total future lease payments	1,208,964
Less: Amount representing interest	<u>(79,144)</u>
	<u>\$ 1,129,820</u>

NOTE 9 - TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM 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 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 more than 735 non-traditional defined benefit 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, TX 79768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 8 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 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. All eligible employees of the County are required to participate in TCDRS.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 9. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

The plan provisions are adopted by Commissioner’s Court of the County, within the options available in the state statutes governing TCDRS. Plan provisions for the County were as follows:

	<u>Plan Year 2016</u>	<u>Plan Year 2017</u>
Employee deposit rate	7.00%	7.00%
Employer deposit rate	14.83%	14.14%
Matching ratio (County to employee)	2 to 1	2 to 1
Years required for vesting	8	8
Service retirement eligibility (expressed as age/years of service)	60/8, 0/30	60/8, 0/30

Employees Covered by Benefit Terms:

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

Inactive employees or beneficiaries currently receiving benefits	203
Inactive employees entitled to but not yet receiving benefits	151
Active employees	<u>232</u>
	<u>586</u>

Contributions - The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee compensation, and the employer matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the employer. Under the state laws governing TCDRS, the contribution rate for each employer is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. Participating employers are required to contribute at the actuarially determined rates to ensure adequate funding for each employer’s plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Employees of the County were required to contribute 7% of their annual compensation during the fiscal year. The County’s required contribution rates of 14.14% and 14.83% in calendar years 2017 and 2016, respectively. The County’s contributions to TCDRS for the year ended December 31, 2017 were \$ 1,426,407.

Net Pension Liability/Asset - The County’s Net Pension Liability/Asset (NPL/NPA) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability/Asset was determined by an actuarial valuation as of that date.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 9. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

Actuarial Assumptions:

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

Inflation	3.0% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	8.0%, net of pension plan investment expense, including inflation

Except where indicated in the section of this GASB 68 report entitled "Actuarial Methods and Assumptions Used for GASB Calculations", the assumptions used in this analysis for the December 31, 2016 financial reporting metrics are the same as those used in the December 31, 2016 actuarial valuation analysis for the County.

Following is a description of the assumptions used in the December 31, 2016 actuarial valuation analysis for the County. This information may also be found in the County December 31, 2016 Summary Valuation Report.

Economic Assumptions:

TCDRS System-Wide Economic Assumptions

Real rate of return	5.0%
Inflation	3.0%
Long-term investment return	8.0%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit promotion and longevity component that on average approximates 1.4% per year for a career employee.

Employer Specific Economic Assumptions

Growth in membership	0.0%
Payroll growth	3.5%

The payroll growth assumption is for the aggregate covered payroll of an employer.

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 on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 9. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on the January 2016 information for a 7-10 year horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon. The most recent analysis was performed in 2013. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equities	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.70%
Global Equities	MSCI World (net) index	1.50%	5.00%
International Equities – Developed	MSCI World Ex USA (net)	10.00%	4.70%
International Equities - Emerging	MSCI EM Standard (net) index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund Of Funds Composite Index	20.00%	3.85%
Total		100.00%	8.10%

⁽¹⁾ Target asset allocation adopted at the April 2017 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 2.0% per Cliffwater's 2017 capital market assumptions.

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 9. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

Discount Rate – The discount rate is the single rate of return that, when applied to all projected benefit payment results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not include in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where that is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future value, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

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

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

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 9. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN - Continued

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance as of December 31, 2015	\$ 51,284,564	\$ 44,663,714	\$ 6,620,850
Changes for the Year:			
Service cost	1,245,749		1,245,749
Interest on total pension liability ⁽¹⁾	4,084,781		4,084,781
Effect of plan changes ⁽²⁾			-0-
Effect of economic/demographic gains or losses	(1,306,164)		(1,306,164)
Effect of assumptions changes or inputs			-0-
Refunds of contributions	(125,218)	(125,218)	-0-
Contributions – employer		1,273,638	(1,273,638)
Contributions – employee		601,183	(601,183)
Net investment income		3,299,098	(3,299,098)
Benefit payment,	(2,864,839)	(2,864,839)	-0-
Administrative expense		(35,887)	35,887
Other changes ⁽³⁾		(837,728)	837,728
	<u>52,318,873</u>	<u>45,973,961</u>	<u>6,344,912</u>
Balance as of December 31, 2016	<u>\$ 52,318,873</u>	<u>\$ 45,973,961</u>	<u>\$ 6,344,912</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

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

	1% Decrease In Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase In Discount Rate (9.10%)
Total pension liability	\$ 58,318,113	\$ 52,318,873	\$ 47,282,846
Fiduciary net position	<u>45,973,961</u>	<u>45,973,961</u>	<u>45,973,961</u>
Net pension liability	<u>\$ 12,344,152</u>	<u>\$ 6,344,912</u>	<u>\$ 1,308,885</u>

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 9. TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PENSION PLAN – Continued

<i>Pension Expense (Income):</i>	<u>Year Ended 12-31-16</u>
Service cost	\$ 1,245,749
Interest on total pension liability ⁽¹⁾	4,084,781
Effect of plan changes	-0-
Administrative expenses	35,887
Member contributions	(601,183)
Expected investment return net of investment expenses	(3,538,781)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	(346,777)
Recognition of assumption changes or inputs	139,877
Recognition of investment gains or losses	844,351
Other ⁽²⁾	<u>837,729</u>
Pension expense (income)	<u>\$ 2,701,633</u>

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ Related to allocation of system-wide items.

Deferred Inflows and Outflows - At December 31, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 157,407	\$ 1,334,909
Difference between projected and actual investment earnings	2,470,978	
Changes in assumptions	279,753	
Contributions subsequent to the measurement date ⁽³⁾	<u>1,426,407</u>	
Totals	<u>\$ 4,334,545</u>	<u>\$ 1,334,909</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expenses as follows:

<u>Year Ended December 31,</u>	
2017	\$ 637,450
2018	480,043
2019	407,799
2020	47,937
2021	-0-
Thereafter ⁽⁴⁾	-0-

⁽³⁾ If eligible employer contributions were made subsequent to the measurement date through the employer's fiscal year end, the employer should reflect these contributions, adjusted as outlined in GASB No. 71.

⁽⁴⁾ Total remaining balance to be recognized in future years, if any. Note that additional deferred inflows and outflows of resources may impact these numbers.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 10 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS

The County maintains a single-employer defined benefit plan to provide certain postretirement healthcare benefits to all retired employees who qualified under the Texas County and District Retirement System and are currently receiving retirement income. Such benefits are not available to members' spouses or dependents, rather, only to former employees as previously described. Specific details of the Plan include the provision of certain hospitalization, major medical insurance and prescription drug coverage. These benefits are provided through insurance companies. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. The Plan consists solely on the County's commitment to provide other post-employment benefits through the payment of premiums on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy - The County pays the cost of the post-employment health care benefits for retirees during the life of the retiree. Retirees may elect to continue health care benefits for their spouse and family at their own expense. Substantially all of the government's employees may become eligible for these benefits if they reach normal retirement age while working for the government. The plan is financed as a pay as you go.

Annual Other Post Employment Benefit (OPEB) Cost- The County's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years. The County's annual OPEB cost for the fiscal year ending December 31, 2017 is as follows:

Annual required contribution	\$ 2,495,939
Interest on prior year net OPEB obligation	398,428
Amortization of prior year net OPEB obligation	<u>(564,842)</u>
Annual OPEB cost	2,329,525
Contributions made	<u>(948,400)</u>
Increase in net OPEB obligation	1,381,125
Net OPEB obligation – beginning of year	<u>9,960,700</u>
Net OPEB obligation – end of year	\$ <u>11,341,825</u>

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 10 - POST EMPLOYMENT HEALTH INSURANCE BENEFITS - Continued

The County’s annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending December 31, 2017 and the preceding two fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>% of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/15	\$ 2,049,330	\$ 822,925	40.00%	\$ 8,810,570
12/31/16	2,049,330	899,200	44.00%	9,960,700
12/31/17	2,329,525	948,400	40.71%	11,341,825

Funding Status - As of December 31, 2017 the most recent actuarial valuation date, the plan was 0% funded as the County is using a pay-as-you-go approach. The actuarial accrued liability for benefits was \$ 21,947,263, and the actuarial value of assets was \$ -0- resulting in an unfunded liability (UAAL) of \$ 21,947,263. Annual covered payroll is \$ 8,096,817 and the ratio of the UAAL to the covered payroll was 271.06 percent.

Actuarial Methods and Assumptions – The Projected Unit Credit Cost Method is used to calculate the GASB ARC for the County’s retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the County’s employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial Methods and Assumptions

Inflation Rate	3.00% per annum
Investment rate of return	1.00% per annum, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level, open
Amortization period	30 year open amortization
Payroll growth	3.00% per annum
Medical trend	Initial rate of 8.00% declining to an ultimate rate of 5.00% after 6 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the County’s retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 11 - SELF INSURANCE HEALTH COVERAGE

During the year ended December 31, 2014 employees of the County were covered by a health insurance plan (the Plan). The County contributed monthly per employee, spouse, child and family to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents in excess of the County contribution. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The plan was authorized by Article 3.51-2., Texas Insurance Code and was documented by contractual agreement. The contract between the County and the third party administrator is renewable October 1, 2017, and terms of coverage and contribution costs are included in the contractual provisions. In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss b stop-loss coverage carried through Texas Association of Counties Health Employee Benefit Program and Blue Cross Blue Shield of Texas, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$ 100,000 and for aggregate loss. Other governmental entities and/or their employees contributed to the self-insurance pool which was operated under contractual provisions of Article 4413(32c), Interlocal Cooperation Act. Each member to the extent its benefit plan is self-insured, remain responsible for the payment of benefits under the benefit plan in the event HEBP fails to make such payments.

The internal service fund is funded by charges to the County’s other funds and other governmental units and is based upon a predetermined fixed amount per employee, spouse, child and family. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonable estimated. The County considers claims paid in the three months following the fiscal year end to be a reasonable estimate of claims liability.

Changes in the balance of claims liabilities during the past three years are as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Unpaid claims, beginning	\$ 157,736	\$ 134,530	\$ 134,530
Claims incurred	1,988,120	2,236,363	2,418,383
Claims paid	<u>(2,011,326)</u>	<u>(2,244,973)</u>	<u>(2,313,378)</u>
Unpaid claims, ending	<u>\$ 134,530</u>	<u>\$ 125,920</u>	<u>\$ 239,535</u>

NOTE 12 - CONTINGENCIES

The County is contingently liable in respect to lawsuits and other claims in the ordinary course of its operations. Such lawsuits include various civil claims that are currently between the stages of discovery and pleadings. The outcome of these lawsuits and other claims are not presently determinable and the resolutions of these matters are not expected to have a material effect on the financial condition of the County.

MATAGORDA COUNTY, TEXAS

Notes to the Financial Statements

For The Year Ended December 31, 2017

NOTE 13 - DEFICIT FUND BALANCES

As of December 31, 2017, one fund of the County had a deficit fund balance as itemized below:

	<u>2017</u>
Fund Balances:	
Special Revenue Funds:	
Disaster Fund	\$ 759,419

Deficit balances will either be offset by future revenues or reimbursed by other funds. The disaster fund would be reimbursed by the General Fund.

NOTE 14 - GRANTS, ENTITLEMENTS AND SHARED REVENUES

During the year ended December 31, 2017, the County applied for and received federal and state grants related to various activities. The operations of these grants are reported in the general fund and various special revenue funds. For the most part, these grants are reimbursement type grants, therefore, revenues equal expenditures. Grant revenues are classified as intergovernmental revenues. The federal financial assistance programs are covered by the requirements of the Single Audit Act and the Uniform Guidance.

The state financial assistance programs are covered by the State of Texas Single Audit Circular (Uniform Grant Management Standards). A single audit was performed on the federal financial assistance programs as the federal financial assistance programs met the \$ 750,000 threshold, while the state financial assistance programs did not.

NOTE 15 - TAX ABATEMENTS

The County enters into property tax abatement agreements with taxpayers under the State Property Tax Abatement Act, Tax Code Chapter 312. Under the act, the County may enter into a local agreement with a taxpayer that exempts all or part of the increase in the value of the real property and/or tangible personal property from taxation for a period not to exceed 10 years. Tax abatements are an economic development toll available to the County to attract new industries and to engage in the retention and development of existing businesses through property tax exemptions or reductions.

For the year ended December 31, 2017, the County abated property taxes totaling \$ 3,765,714 under this program, including the following tax abatement agreement:

- A 100 percent property tax abatement to a steel pipe production company for the construction of a new plant and to create 600 full-time jobs. The County agreed to recapture a prorated amount of abated taxes if the conditions of the agreement are not met through the claw back payment clause. The County's agreement determines the percentage amount and duration of the tax abatement which is not to exceed twenty-five years. In the case of the Company exceed the job target, the County committed to providing an additional "Surplus Job Credit" incentive to the Company.

NOTE 16 - EVALUATION OF SUBSEQUENT EVENTS

The County has evaluated subsequent events through June 22, 2018, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

MATAGORDA COUNTY, TEXAS

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

Exhibit 9

For the Year Ended December 31, 2017

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes	\$ 17,379,622	\$ 17,379,622	\$ 17,987,811	\$ 608,189
Licenses and permits	766,100	766,100	756,759	(9,341)
Intergovernmental	284,320	1,640,690	1,633,328	(7,362)
Charges for services	3,907,793	4,013,936	4,145,552	131,616
Fines	375,000	375,000	435,100	60,100
Investment income	150,000	150,000	253,760	103,760
Miscellaneous	86,500	283,601	258,061	(25,540)
Total revenues	<u>22,949,335</u>	<u>24,608,949</u>	<u>25,470,371</u>	<u>861,422</u>
Expenditures				
Current:				
General government	5,287,490	5,178,171	4,935,825	242,346
Justice system	3,370,367	3,451,549	3,167,968	283,581
Public safety	3,452,908	3,972,514	3,783,202	189,312
Corrections and rehabilitation	2,329,422	2,378,697	2,227,183	151,514
Health and human services	1,290,451	1,384,461	1,336,275	48,186
Community and economic development	1,029,115	1,925,121	1,706,421	218,700
Infrastructure and environmental services	4,362,841	5,561,809	3,798,512	1,763,297
Capital outlay	1,443,997	2,703,306	2,660,566	42,740
Debt Service:				
Principal	353,169	350,816	351,156	(340)
Interest and fiscal charges	27,575	29,928	27,597	2,331
Total expenditures	<u>22,947,335</u>	<u>26,936,372</u>	<u>23,994,705</u>	<u>2,941,667</u>
Excess (deficiency) of revenues over expenditures	<u>2,000</u>	<u>(2,327,423)</u>	<u>1,475,666</u>	<u>3,803,089</u>
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	5,000	18,423	12,148	(6,275)
Proceeds from capital leases		562,032	536,545	(25,487)
Transfers in		27,500	27,500	-0-
Transfers out	(7,000)	(7,000)	(7,000)	-0-
Total other financing sources (uses)	<u>(2,000)</u>	<u>600,955</u>	<u>569,193</u>	<u>(31,762)</u>
Net change in fund balances	<u>-0-</u>	<u>(1,726,468)</u>	<u>2,044,859</u>	<u>3,771,327</u>
Fund balances – beginning	<u>10,901,933</u>	<u>10,901,933</u>	<u>10,901,933</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 10,901,933</u>	<u>\$ 9,175,465</u>	<u>\$ 12,946,792</u>	<u>\$ 3,771,327</u>

MATAGORDA COUNTY, TEXAS**REQUIRED SUPPLEMENTARY INFORMATION****TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM****SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**

For the Ten Years Ended December 31, 2017

Exhibit 10

	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability			
Service cost	\$ 1,245,749	\$ 1,061,294	\$ 1,037,018
Interest on total pension liability	4,084,781	3,949,923	3,723,454
Effect of plan changes		(163,313)	
Effect of assumption changes or inputs		559,506	
Effect of economic/demographic (gains) or losses	(1,306,164)	(710,572)	629,628
Benefit payments/refunds of contributions	(2,990,057)	(2,868,547)	(2,734,719)
Net Change in Total Pension Liability	1,034,309	1,828,291	2,655,381
Total Pension Liability – beginning	<u>51,284,564</u>	<u>49,456,273</u>	<u>46,800,892</u>
Total Pension Liability – ending (a)	<u>\$ 52,318,873</u>	<u>\$ 51,284,564</u>	<u>\$ 49,456,273</u>
Fiduciary Net Position			
Employer contributions	\$ 1,273,638	\$ 1,250,595	\$ 1,149,603
Member contributions	601,183	592,700	537,553
Investment Income net of investment expense	3,299,098	252,706	2,975,354
Benefit payments/refunds of contributions	(2,990,057)	(2,868,547)	(2,734,719)
Administrative expense	(35,887)	(32,500)	(34,335)
Other	(837,728)	(272,746)	427,674
Net Change in Fiduciary Net Position	1,310,247	(1,077,792)	2,321,130
Fiduciary Net Position – beginning	<u>44,663,714</u>	<u>45,741,506</u>	<u>43,420,376</u>
Fiduciary Net Position – ending (b)	<u>\$ 45,973,961</u>	<u>\$ 44,663,714</u>	<u>\$ 45,741,506</u>
Net Pension Liability/asset, ending (a)-(b)	<u>\$ 6,344,912</u>	<u>\$ 6,620,850</u>	<u>\$ 3,714,767</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	87.87%	87.09%	92.49%
Pensionable covered payroll	\$ 8,564,214	\$ 8,467,148	\$ 7,679,332
Net Pension Liability as a Percentage of Covered Payroll	74.09%	78.19%	48.37%

Note – This schedule is presented to illustrate the requirements to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

MATAGORDA COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For the Ten Years Ended December 31, 2017

Exhibit 11

<u>Year Ended December 31, (Measurement Date)</u>	<u>Actuarially Determined Contribution⁽¹⁾</u>	<u>Actual Employer Contribution⁽¹⁾</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll⁽²⁾</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2008	\$ 813,562	\$ 813,562	\$ -0-	\$ 6,630,495	12.3%
2009	872,032	872,032	-0-	7,095,458	12.3%
2010	947,990	947,990	-0-	7,377,350	12.9%
2011	960,737	960,831	(94)	7,547,350	12.9%
2012	952,777	952,777	-0-	7,228,971	13.2%
2013	1,039,449	1,039,449	-0-	7,542,912	13.8%
2014	1,149,603	1,149,603	-0-	7,679,332	15.0%
2015	1,250,595	1,250,595	-0-	8,467,148	14.8%
2016	1,270,073	1,273,638	(3,565)	8,564,214	14.9%
2017	1,424,056	1,426,407	(2,351)	9,269,021	15.4%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

MATAGORDA COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST EMPLOYMENT BENEFITS
SCHEDULE OF FUNDING PROGRESS
For the Ten Years Ended December 31, 2017

Exhibit 12

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets ^(a)</u>	<u>Actuarial Accrued Liability ("AAL") ^(b)</u>	<u>Unfunded Actuarial Accrued Liability ("UAAL") ^(b-a)</u>	<u>Funded Ratio ^(a/b)</u>	<u>Covered Payroll</u>	<u>UAAL as % of Covered Payroll</u>
01/01/13	\$ -0-	\$ 19,565,090	\$ 19,565,090	0.0%	\$ 8,162,581	239.7%
01/01/15	-0-	20,408,335	20,408,335	0.0%	7,877,175	259.1%
01/01/17	-0-	21,947,263	21,947,263	0.0%	8,096,817	271.1%

MATAGORDA COUNTY, TEXAS

Notes to the Required Supplementary Information

For The Year Ended December 31, 2017

NOTE 1 - BUDGETARY INFORMATION

The budget law of the State of Texas provides that amounts budgeted for current expenditures from the various funds of the County shall not exceed the balances in the funds, plus the anticipated revenues for the current year as estimated by the County Auditor. The fund budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles. The major funds, General Fund and Road and Bridge Fund, budget and actual comparisons are presented as Required Supplementary Information at the fund level.

Although the level of budgetary control is total revenues plus available fund balance, the County adopts its budget at a line-item level for managerial control purposes. Line item level is defined for revenue purposes as the type of revenue to be derived and for expenditures purposes by department and type of expenditures (salaries and wages and employee benefits; operating expenditures; and capital outlay). Budget amendments to transfer budgeted amounts from one line item to another may be made at the discretion of the Commissioners Court.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

District Attorney Legal/Law Fund – This fund is used to account for the transactions related to hot check fees of the district attorney’s office and funds awarded to the County from forfeitures and state funds for the district attorney.

Sheriff & Jail Discretionary Fund – This fund is used to account for the transactions related to forfeited funds and inmate commissary sales.

County Clerk Preservation & Automation Fund – This fund is used to account for the fees collected by the County Clerk for records management and preservation.

Countywide Records Management Preservation Fund – This fund is used to account for fees collected by the County Clerk for records management and preservation.

Courthouse Security Fund – This fund is used to account for fees collected by the County Court, District Court and JP Court for courthouse security.

Justice Court Technology Fund – This fund is used to account for fees collected by the District Clerk specifically for justice court technology.

District Clerk Records Management Preservation Fund – This fund is used to account for fees collected by the District Clerk for records management and preservation.

County & District Court Technology Fund – This fund is used to account for fees collected by the County Clerk specifically for county and district court technology.

Disaster Fund – This fund is used to account for the expenditures during Hurricane Harvey and during a state of emergency situation separate from regular operating transactions.

Intergovernmental Grants Fund – This fund is used to account for federal and state grants passed through to other governments.

Historical Commission Fund – This fund is used to account for grant proceeds and local match for the purpose of conducting a historic resource survey in Matagorda County.

CDBG Disaster Recovery Fund – This fund is used to account for grant funds associated with Presidentially declared disasters for long-term recovery efforts.

Matagorda Water & Sewer Fund – This fund is used to account for the receipts and disbursements related to the Texas Community Development Grant for the purpose of wastewater system improvements within the Matagorda County limits in Matagorda, Texas.

Juvenile Probation Fund – This fund is used to account for Texas Juvenile Justice Division grant fund for administering the juvenile probation program and for the receipt and disbursements of fees collected by the Juvenile Probation Department.

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Fund

Debt service funds account for the accumulation of resources from governmental resources and the payments of general obligation debt principal, interest and related costs.

Debt Service Fund – This fund accounts for the accumulation of resources and the payment of those resources related to the retiring of the Series 2015 Certificates of Obligation issued for capital repairs and improvements to existing County buildings, and the payment of costs of issuance and professional services related thereto.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Capital Projects Fund – This fund accounts for the capital projects spending related to the use of proceeds of the Series 2015 Certificates of Obligation.

MATAGORDA COUNTY, TEXAS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017

	Special		
	District Attorney Legal/Law Fund	Sheriff & Jail Discretionary Fund	County Clerk Preservation & Automation Fund
Assets and Deferred Outflows of Resources			
Assets:			
Cash and temporary investments	\$ 140,407	\$ 101,874	\$ 482,690
Receivables (Net of Allowance for Uncollectibles):			
Taxes			
Accounts			627
Due from other governments			
Total assets	<u>140,407</u>	<u>101,874</u>	<u>483,317</u>
Deferred Outflows of Resources:			
Deferred outflows of resources			
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ 140,407</u>	<u>\$ 101,874</u>	<u>\$ 483,317</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts and accrued liabilities payable	\$ 24,208	\$ 34,282	\$ 101
Due to other funds		50	
Unearned revenue			
Total liabilities	<u>24,208</u>	<u>34,332</u>	<u>101</u>
Deferred Inflows of Resources:			
Deferred inflows of resources			
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balance:			
Restricted	116,199	67,542	483,216
Unassigned			
Total fund balance	<u>116,199</u>	<u>67,542</u>	<u>483,216</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 140,407</u>	<u>\$ 101,874</u>	<u>\$ 483,317</u>

Revenue Funds

Countywide Records Management Preservation Fund	Courthouse Security Fund	Justice Court Technology Fund	District Clerk Records Management Preservation Fund	County & District Court Technology Fund	Disaster Fund
\$ 43,453	\$ 80,161	\$ 15,261	\$ 70,374	\$ 70,065	\$
30	86	40	90	150	
<u>43,483</u>	<u>80,247</u>	<u>15,301</u>	<u>70,464</u>	<u>70,215</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 43,483</u>	<u>\$ 80,247</u>	<u>\$ 15,301</u>	<u>\$ 70,464</u>	<u>\$ 70,215</u>	<u>\$ -0-</u>
\$	\$ 5,601	\$	\$	\$	\$ 759,419
<u>-0-</u>	<u>5,601</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>759,419</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>43,483</u>	<u>74,646</u>	<u>15,301</u>	<u>70,464</u>	<u>70,215</u>	<u>(759,419)</u>
<u>43,483</u>	<u>74,646</u>	<u>15,301</u>	<u>70,464</u>	<u>70,215</u>	<u>(759,419)</u>
<u>\$ 43,483</u>	<u>\$ 80,247</u>	<u>\$ 15,301</u>	<u>\$ 70,464</u>	<u>\$ 70,215</u>	<u>\$ -0-</u>

(continued)

MATAGORDA COUNTY, TEXAS
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS - Continued
December 31, 2017

	Special		
	Intergovernmental Grants Fund	Historical Commission Fund	CDBG Disaster Recovery Fund
Assets and Deferred Outflows of Resources			
Assets:			
Cash and temporary investments	\$	\$ 16,041	\$
Receivables (Net of Allowance for Uncollectibles):			
Taxes			
Accounts			
Due from other governments			71,393
Total assets	<u>-0-</u>	<u>16,041</u>	<u>71,393</u>
Deferred Outflows of Resources:			
Deferred outflows of resources			
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total assets and deferred outflows of resources	<u>\$ -0-</u>	<u>\$ 16,041</u>	<u>\$ 71,393</u>
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts and accrued liabilities payable	\$	\$ 400	\$ 71,393
Due to other funds			
Unearned revenue			
Total liabilities	<u>-0-</u>	<u>400</u>	<u>71,393</u>
Deferred Inflows of Resources:			
Deferred inflows of resources			
Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balance:			
Restricted		15,641	
Unassigned			
Total fund balance	<u>-0-</u>	<u>15,641</u>	<u>-0-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -0-</u>	<u>\$ 16,041</u>	<u>\$ 71,393</u>

Revenue Funds

Matagorda Water & Sewer Fund	Juvenile Probation Fund	Total Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$	\$ 80,038	\$ 1,100,364	\$ 57,010	\$ 1,094,191	\$ 2,251,565
		-0-	176,678		176,678
		1,023			1,023
<u>134,726</u>		<u>206,119</u>	<u>15,184</u>		<u>221,303</u>
<u>134,726</u>	<u>80,038</u>	<u>1,307,506</u>	<u>248,872</u>	<u>1,094,191</u>	<u>2,650,569</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 134,726</u>	<u>\$ 80,038</u>	<u>\$ 1,307,506</u>	<u>\$ 248,872</u>	<u>\$ 1,094,191</u>	<u>\$ 2,650,569</u>
\$ 130,726	\$ 1,593	\$ 262,703	\$	\$	\$ 262,703
		765,070			765,070
	<u>72,631</u>	<u>72,631</u>			<u>72,631</u>
<u>130,726</u>	<u>74,224</u>	<u>1,100,404</u>	<u>-0-</u>	<u>-0-</u>	<u>1,100,404</u>
		-0-	215,916		215,916
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>215,916</u>	<u>-0-</u>	<u>215,916</u>
4,000	5,814	966,521	32,956	1,094,191	2,093,668
		(759,419)			(759,419)
<u>4,000</u>	<u>5,814</u>	<u>207,102</u>	<u>32,956</u>	<u>1,094,191</u>	<u>1,334,249</u>
<u>\$ 134,726</u>	<u>\$ 80,038</u>	<u>\$ 1,307,506</u>	<u>\$ 248,872</u>	<u>\$ 1,094,191</u>	<u>\$ 2,650,569</u>

MATAGORDA COUNTY, TEXAS

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

For the Year Ended December 31, 2017

	Special		
	District Attorney Legal/Law Fund	Sheriff & Jail Discretionary Fund	County Clerk Preservation & Automation Fund
Revenues:			
Taxes	\$	\$	\$
Intergovernmental			
Charges for services	31,352	1,277	152,042
Investment income	338	43	2,698
Miscellaneous		41,495	
Total revenues	31,690	42,815	154,740
Expenditures:			
Current:			
General government			185,660
Justice system	568		
Public safety		2,096	
Corrections & rehabilitation		31,276	
Health and human services			
Community & economic development			
Infrastructure and environmental services			
Capital outlay			
Debt Service:			
Principal			
Interest and fiscal charges			
Total expenditures	568	33,372	185,660
Excess (deficiency) of revenue over (under) expenditures	31,122	9,443	(30,920)
Other Financing Sources (Uses):			
Operating transfers in			
Operating transfers out	(27,500)		
Total other financing sources (uses)	(27,500)	-0-	-0-
Net change in fund balances	3,622	9,443	(30,920)
Fund Balance (Deficits):			
Beginning of year	112,577	58,099	514,136
End of year	\$ 116,199	\$ 67,542	\$ 483,216

Revenue Funds

Countywide Records Management Preservation Fund	Courthouse Security Fund	Justice Court Technology Fund	District Clerk Records Management Preservation Fund	County & District Court Technology Fund	Disaster Fund
\$	\$	\$	\$	\$	\$
11,256	19,800	8,228	10,106	15,560	16,324
206	394	67	350	335	
<u>11,462</u>	<u>20,194</u>	<u>8,295</u>	<u>10,456</u>	<u>15,895</u>	<u>16,324</u>
	7,125	9,912			66,415
					12,889
					344,009
					89,204
					8,710
					15,245
					239,271
<u>-0-</u>	<u>7,125</u>	<u>9,912</u>	<u>-0-</u>	<u>-0-</u>	<u>775,743</u>
<u>11,462</u>	<u>13,069</u>	<u>(1,617)</u>	<u>10,456</u>	<u>15,895</u>	<u>(759,419)</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>11,462</u>	<u>13,069</u>	<u>(1,617)</u>	<u>10,456</u>	<u>15,895</u>	<u>(759,419)</u>
<u>32,021</u>	<u>61,577</u>	<u>16,918</u>	<u>60,008</u>	<u>54,320</u>	<u>-0-</u>
<u>\$ 43,483</u>	<u>\$ 74,646</u>	<u>\$ 15,301</u>	<u>\$ 70,464</u>	<u>\$ 70,215</u>	<u>\$(759,419)</u>

(continued)

MATAGORDA COUNTY, TEXAS

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

For the Year Ended December 31, 2017

	Special		
	Intergovernmental Grants Fund	Historical Commission Fund	CDBG Disaster Recovery Fund
Revenues:			
Taxes	\$	\$	\$
Intergovernmental	207,683		71,393
Charges for services			
Investment income		75	
Miscellaneous			
Total revenues	207,683	75	71,393
Expenditures:			
Current:			
General government	207,683		71,393
Justice system			
Public safety			
Corrections & rehabilitation			
Health and human services			
Community & economic development		654	
Infrastructure and environmental services			
Capital outlay			
Debt Service:			
Principal			
Interest and fiscal charges			
Total expenditures	207,683	654	71,393
Excess (deficiency) of revenue over (under) expenditures	-0-	(579)	-0-
Other Financing Sources (Uses):			
Operating transfers in		7,000	
Operating transfers out			
Total other financing sources (uses)	-0-	7,000	-0-
Net change in fund balances		6,421	
Fund Balance (Deficits):			
Beginning of year		9,220	
End of year	\$ -0-	\$ 15,641	\$ -0-

Revenue Funds

Matagorda Water & Sewer Fund	Juvenile Probation Fund	Total Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 180,746	\$ 419,674	\$ 879,496	\$ 196,523	\$	\$ 196,523
	5,830	271,775			879,496
	446	4,952	394		271,775
12,000		53,495			5,346
192,746	425,950	1,209,718	196,917	-0-	53,495
					1,406,635
188,746		727,022			727,022
	420,136	443,505			443,505
		346,105			346,105
		120,480			120,480
		8,710			8,710
		15,899			15,899
		239,271			239,271
		-0-		356,146	356,146
		-0-	105,000		105,000
		-0-	84,963		84,963
188,746	420,136	1,900,992	189,963	356,146	2,447,101
4,000	5,814	(691,274)	6,954	(356,146)	(1,040,466)
		7,000			7,000
		(27,500)			(27,500)
-0-	-0-	(20,500)	-0-	-0-	(20,500)
4,000	5,814	(711,774)	6,954	(356,146)	(1,060,966)
-0-	-0-	918,876	26,002	1,450,337	2,395,215
\$ 4,000	\$ 5,814	\$ 207,102	\$ 32,956	\$ 1,094,191	\$ 1,334,249

MATAGORDA COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BY FUNCTION, DEPARTMENT
AND LEGAL LEVEL OF BUDGETARY CONTROL - GENERAL FUND**

For the Year Ended December 31, 2017

Exhibit 15
Page 1 of 8

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
General Government:				
County Judge:				
Salaries and wages, and employee benefits	\$ 214,199	\$ 214,331	\$ 193,199	\$ 21,132
Operating expenditures	8,300	7,838	6,391	1,447
Total County Judge	222,499	222,169	199,590	22,579
Commissioners Court:				
Salaries and wages, and employee benefits	41,937	41,937	35,291	6,646
Operating expenditures	102,500	103,833	70,371	33,462
Total Commissioners Court	144,437	145,770	105,662	40,108
County Clerk:				
Salaries and wages, and employee benefits	363,324	363,324	373,467	(10,143)
Operating expenditures	33,600	33,600	31,167	2,433
Total County Clerk	396,924	396,924	404,634	(7,710)
Special District Services:				
Operating expenditures	1,550			-0-
Total Special District Services	1,550	-0-	-0-	-0-
Non-Departmental:				
Operating expenditures	2,073,185	1,930,418	1,912,555	17,863
Total Non-Departmental	2,073,185	1,930,418	1,912,555	17,863
Election Cost:				
Salaries and wages, and employee benefits	17,335	19,952	10,108	9,844
Operating expenditures	32,582	36,290	31,770	4,520
Debt service expenditures	95,002	95,002	95,002	-0-
Total Election Cost	144,919	151,244	136,880	14,364
County Auditor:				
Salaries and wages, and employee benefits	393,487	393,487	394,958	(1,471)
Operating expenditures	22,400	22,400	12,829	9,571
Capital outlay expenditures		25,486	8,398	17,088
Debt service expenditures	32,493	32,493	32,493	-0-
Total County Auditor	448,380	473,866	448,678	25,188
Human Resources:				
Salaries and wages, and employee benefits	226,019	226,019	193,979	32,040
Operating expenditures	20,500	20,500	16,843	3,657
Total Human Resources	246,519	246,519	210,822	35,697

(continued)

MATAGORDA COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BY FUNCTION, DEPARTMENT
AND LEGAL LEVEL OF BUDGETARY CONTROL - GENERAL FUND - Continued**

For the Year Ended December 31, 2017

Exhibit 15
Page 2 of 8

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
General Government - Continued:				
County Treasurer:				
Salaries and wages, and employee benefits	\$ 153,661	\$ 153,661	\$ 153,903	\$(242)
Operating expenditures	12,575	14,125	13,647	478
Total County Treasurer	166,236	167,786	167,550	236
County Tax Assessor:				
Salaries and wages, and employee benefits	608,613	608,613	577,768	30,845
Operating expenditures	76,900	76,900	69,327	7,573
Total County Tax Assessor	685,513	685,513	647,095	38,418
Information Services:				
Salaries and wages, and employee benefits	144,191	144,191	131,711	12,480
Operating expenditures	283,611	288,611	278,066	10,545
Capital outlay expenditures	5,000			-0-
Total Information Services	432,802	432,802	409,777	23,025
County Office Building:				
Operating expenditures	110,800	108,496	87,762	20,734
Capital outlay expenditures		280,395	280,395	-0-
Total County Office Building	110,800	388,891	368,157	20,734
County Courthouse:				
Salaries and wages, and employee benefits	87,849	88,910	88,820	90
Operating expenditures	258,372	280,735	251,893	28,842
Total County Courthouse	346,221	369,645	340,713	28,932
Right of Way:				
Capital outlay expenditures	25,000	25,000	25,000	-0-
Total Right of Way	25,000	25,000	25,000	-0-
Total General Government	5,444,985	5,636,547	5,377,113	259,434
Justice System:				
County Court:				
Operating expenditures	19,800	19,800	11,537	8,263
Total County Court	19,800	19,800	11,537	8,263
District Court:				
Salaries and wages, and employee benefits	213,493	213,493	214,454	(961)
Operating expenditures	56,050	57,250	33,562	23,688
Capital outlay expenditures	2,000	2,000		2,000
Total District Court	271,543	272,743	248,016	24,727

(continued)

MATAGORDA COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BY FUNCTION, DEPARTMENT
AND LEGAL LEVEL OF BUDGETARY CONTROL - GENERAL FUND - Continued**
For the Year Ended December 31, 2017

Exhibit 15
Page 3 of 8

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Justice System – Continued:				
Court Expenditures:				
Salaries and wages, and employee benefits	\$ 91,501	\$ 92,247	\$ 91,456	\$ 791
Operating expenditures	<u>372,120</u>	<u>338,263</u>	<u>269,525</u>	<u>68,738</u>
Total Court Expenditures	<u>463,621</u>	<u>430,510</u>	<u>360,981</u>	<u>69,529</u>
Capital Murder Trial:				
Operating expenditures	<u>69,410</u>	<u>41,910</u>	<u>19,407</u>	<u>22,503</u>
Total Capital Murder Trial	<u>69,410</u>	<u>41,910</u>	<u>19,407</u>	<u>22,503</u>
District Clerk:				
Salaries and wages, and employee benefits	299,758	299,758	279,646	20,112
Operating expenditures	<u>30,450</u>	<u>30,450</u>	<u>30,001</u>	<u>449</u>
Total District Clerk	<u>330,208</u>	<u>330,208</u>	<u>309,647</u>	<u>20,561</u>
District Attorney:				
Salaries and wages, and employee benefits	652,592	700,008	689,939	10,069
Operating expenditures	<u>62,750</u>	<u>84,946</u>	<u>64,750</u>	<u>20,196</u>
Total District Attorney	<u>715,342</u>	<u>784,954</u>	<u>754,689</u>	<u>30,265</u>
Justice of the Peace Precinct #1:				
Salaries and wages, and employee benefits	164,636	164,636	164,454	182
Operating expenditures	<u>11,100</u>	<u>11,100</u>	<u>10,580</u>	<u>520</u>
Total Justice of the Peace Precinct #1	<u>175,736</u>	<u>175,736</u>	<u>175,034</u>	<u>702</u>
Justice of the Peace Precinct #2:				
Salaries and wages, and employee benefits	165,240	165,240	162,369	2,871
Operating expenditures	<u>22,380</u>	<u>25,380</u>	<u>22,084</u>	<u>3,296</u>
Total Justice of the Peace Precinct #2	<u>187,620</u>	<u>190,620</u>	<u>184,453</u>	<u>6,167</u>
Justice of the Peace Precinct #3:				
Salaries and wages, and employee benefits	163,097	160,097	125,214	34,883
Operating expenditures	<u>8,750</u>	<u>11,750</u>	<u>9,923</u>	<u>1,827</u>
Total Justice of the Peace Precinct #3	<u>171,847</u>	<u>171,847</u>	<u>135,137</u>	<u>36,710</u>
Justice of the Peace Precinct #4:				
Salaries and wages, and employee benefits	125,384	127,384	129,251	(1,867)
Operating expenditures	<u>9,490</u>	<u>9,490</u>	<u>8,082</u>	<u>1,408</u>
Total Justice of the Peace Precinct #4	<u>134,874</u>	<u>136,874</u>	<u>137,333</u>	<u>(459)</u>

(continued)

MATAGORDA COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BY FUNCTION, DEPARTMENT
AND LEGAL LEVEL OF BUDGETARY CONTROL - GENERAL FUND - Continued**

For the Year Ended December 31, 2017

Exhibit 15
Page 4 of 8

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Justice System - Continued:				
Justice of the Peace Precinct #6:				
Salaries and wages, and employee benefits	\$ 86,671	\$ 96,821	\$ 96,897	\$(76)
Operating expenditures	6,550	6,550	6,243	307
Total Justice of the Peace Precinct #6	93,221	103,371	103,140	231
County Attorney:				
Salaries and wages, and employee benefits	322,122	364,204	343,434	20,770
Operating expenditures	26,135	34,597	34,212	385
Total County Attorney	348,257	398,801	377,646	21,155
Juvenile Probation Board:				
Salaries and wages, and employee benefits	37,552	47,951	47,562	389
Total Juvenile Probation Board	37,552	47,951	47,562	389
Juvenile Probation:				
Salaries and wages, and employee benefits	50,292	57,840	56,832	1,008
Operating expenditures	223,250	210,590	170,215	40,375
Capital outlay expenditures		9,948	9,948	
Total Juvenile Probation	273,542	278,378	236,995	41,383
Child Support:				
Salaries and wages, and employee benefits	55,594	55,594	54,148	1,446
Operating expenditures	3,200	3,200	1,772	1,428
Total Child Support	58,794	58,794	55,920	2,874
Law Library:				
Operating expenditures	21,000	21,000	20,419	581
Total Law Library	21,000	21,000	20,419	581
Total Justice System	3,372,367	3,463,497	3,177,916	285,581
Public Safety:				
Emergency Management/911:				
Salaries and wages, and employee benefits	136,760	136,760	138,956	(2,196)
Operating expenditures	37,020	301,341	295,897	5,444
Capital outlay expenditures		38,209	37,636	573
Total Emergency Management/911	173,780	476,310	472,489	3,821
Fire Protection:				
Operating expenditures	49,000	141,305	80,126	61,179
Capital outlay expenditures		46,000	46,000	-0-
Total Fire Protection	49,000	187,305	126,126	61,179

(continued)

MATAGORDA COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BY FUNCTION, DEPARTMENT
AND LEGAL LEVEL OF BUDGETARY CONTROL - GENERAL FUND - Continued**

For the Year Ended December 31, 2017

Exhibit 15
Page 5 of 8

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Public Safety - Continued:				
Constable Precinct #1:				
Salaries and wages, and employee benefits	\$ 21,336	\$ 21,337	\$ 21,698	\$(361)
Operating expenditures	<u>13,120</u>	<u>15,314</u>	<u>10,669</u>	<u>4,645</u>
Total Constable Precinct #1	<u>34,456</u>	<u>36,651</u>	<u>32,367</u>	<u>4,284</u>
Constable Precinct #2:				
Salaries and wages, and employee benefits	11,736	11,737	11,715	22
Operating expenditures	<u>11,750</u>	<u>13,694</u>	<u>10,291</u>	<u>3,403</u>
Total Constable Precinct #2	<u>23,486</u>	<u>25,431</u>	<u>22,006</u>	<u>3,425</u>
Constable Precinct #3:				
Salaries and wages, and employee benefits	14,796	22,537	22,498	39
Operating expenditures	<u>4,730</u>	<u>7,386</u>	<u>4,457</u>	<u>2,929</u>
Total Constable Precinct #3	<u>19,526</u>	<u>29,923</u>	<u>26,955</u>	<u>2,968</u>
Constable Precinct #4:				
Salaries and wages, and employee benefits	14,796	14,797	14,935	(138)
Operating expenditures	<u>4,065</u>	<u>4,914</u>	<u>4,549</u>	<u>365</u>
Total Constable Precinct #4	<u>18,861</u>	<u>19,711</u>	<u>19,484</u>	<u>227</u>
Constable Precinct #6:				
Salaries and wages, and employee benefits	11,736	11,737	11,716	21
Operating expenditures	<u>14,100</u>	<u>18,592</u>	<u>17,632</u>	<u>960</u>
Total Constable Precinct #6	<u>25,836</u>	<u>30,329</u>	<u>29,348</u>	<u>981</u>
County Sheriff:				
Salaries and wages, and employee benefits	2,632,013	2,755,959	2,690,100	65,859
Operating expenditures	438,550	457,704	411,214	46,490
Capital outlay expenditures	<u>90,000</u>	<u>198,351</u>	<u>175,272</u>	<u>23,079</u>
Total County Sheriff	<u>3,160,563</u>	<u>3,412,014</u>	<u>3,276,586</u>	<u>135,428</u>
Department of Public Safety:				
Operating expenditures	<u>4,000</u>	<u>4,000</u>	<u>3,833</u>	<u>167</u>
Total Department of Public Safety	<u>4,000</u>	<u>4,000</u>	<u>3,833</u>	<u>167</u>
Game Wardens:				
Operating expenditures	<u>33,400</u>	<u>33,400</u>	<u>32,916</u>	<u>484</u>
Total Game Wardens	<u>33,400</u>	<u>33,400</u>	<u>32,916</u>	<u>484</u>
Total Public Safety	<u>3,542,908</u>	<u>4,255,074</u>	<u>4,042,110</u>	<u>212,964</u>

(continued)

MATAGORDA COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BY FUNCTION, DEPARTMENT
AND LEGAL LEVEL OF BUDGETARY CONTROL - GENERAL FUND - Continued**

For the Year Ended December 31, 2017

Exhibit 15
Page 6 of 8

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Corrections and Rehabilitation:				
County Jail:				
Salaries and wages, and employee benefits	\$ 1,838,902	\$ 1,840,902	\$ 1,782,652	\$ 58,250
Operating expenditures	488,020	535,295	442,131	93,164
Total County Jail	2,326,922	2,376,197	2,224,783	151,414
Adult Probation:				
Operating expenditures	2,500	2,500	2,400	100
Total Adult Probation	2,500	2,500	2,400	100
Total Corrections and Rehabilitation	2,329,422	2,378,697	2,227,183	151,514
Health and Human Services:				
Veteran Service Officer:				
Salaries and wages, and employee benefits	72,923	72,923	57,139	15,784
Operating expenditures	7,700	7,700	4,117	3,583
Total Veteran Service Officer	80,623	80,623	61,256	19,367
Ambulance:				
Operating expenditures	597,275	597,275	592,575	4,700
Total Ambulance	597,275	597,275	592,575	4,700
Health Department:				
Salaries and wages, and employee benefits	288,595	288,595	281,941	6,654
Operating expenditures	49,735	143,245	134,069	9,176
Total Health Department	338,330	431,840	416,010	15,830
Animal Control:				
Salaries and wages, and employee benefits	88,553	88,553	85,487	3,066
Operating expenditures	92,951	92,951	87,728	5,223
Total Animal Control	181,504	181,504	173,215	8,289
Human Services:				
Operating expenditures	57,300	57,800	57,800	-0-
Total Human Services	57,300	57,800	57,800	-0-
Mental Health:				
Operating expenditures	35,419	35,419	35,419	-0-
Total Mental Health	35,419	35,419	35,419	-0-
Total Health and Human Services	1,290,451	1,384,461	1,336,275	48,186

(continued)

MATAGORDA COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BY FUNCTION, DEPARTMENT
AND LEGAL LEVEL OF BUDGETARY CONTROL - GENERAL FUND - Continued**

For the Year Ended December 31, 2017

Exhibit 15
Page 7 of 8

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Community and Economic Development:				
521 Park:				
Operating expenditures	\$ 5,000	\$ 5,000	\$ 4,536	\$ 464
Total 521 Park	5,000	5,000	4,536	464
Fairgrounds:				
Salaries and wages, and employee benefits	44,414	44,575	43,635	940
Operating expenditures	76,100	95,946	79,949	15,997
Total Fairgrounds	120,514	140,521	123,584	16,937
Marine:				
Salaries and wages, and employee benefits	103,900	103,154	83,240	19,914
Operating expenditures	49,700	926,445	839,120	87,325
Capital outlay expenditures	22,000	24,400	24,400	-0-
Total Marine	175,600	1,053,999	946,760	107,239
Cultural and Education:				
Operating expenditures	393,591	393,591	393,591	-0-
Total Cultural and Education	393,591	393,591	393,591	-0-
Agricultural Extension:				
Salaries and wages, and employee benefits	179,499	139,202	104,270	34,932
Operating expenditures	23,200	63,497	61,004	2,493
Total Agricultural Extension	202,699	202,699	165,274	37,425
Home Economist Service:				
Salaries and wages, and employee benefits	148,211	148,211	95,584	52,627
Operating expenditures	5,500	5,500	1,492	4,008
Total Home Economist Service	153,711	153,711	97,076	56,635
Total Community and Economic Development	1,051,115	1,949,521	1,730,821	218,700
Infrastructure and Environmental Services:				
Transfer Station:				
Salaries and wages, and employee benefits	122,717	122,977	117,763	5,214
Operating expenditures	376,220	360,460	287,071	73,389
Capital outlay expenditures		5,000	5,000	-0-
Total Transfer Station	498,937	488,437	409,834	78,603

(continued)

MATAGORDA COUNTY, TEXAS

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - BY FUNCTION, DEPARTMENT
AND LEGAL LEVEL OF BUDGETARY CONTROL - GENERAL FUND - Continued**

For the Year Ended December 31, 2017

Exhibit 15
Page 8 of 8

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Infrastructure and Environmental Services - Continued:				
Commissioner – Precinct #1:				
Salaries and wages, and employee benefits	\$ 504,301	\$ 514,300	\$ 447,571	\$ 66,729
Operating expenditures	216,500	492,081	19,963	472,118
Capital outlay expenditures	<u>557,752</u>	<u>942,072</u>	<u>942,072</u>	<u>-0-</u>
Total Commissioner – Precinct #1	<u>1,278,553</u>	<u>1,948,453</u>	<u>1,409,606</u>	<u>538,847</u>
Commissioner – Precinct #2:				
Salaries and wages, and employee benefits	564,341	564,341	495,957	68,384
Operating expenditures	254,820	462,980	265,646	197,334
Capital outlay expenditures	437,735	552,026	552,026	-0-
Debt service expenditures	<u>132,864</u>	<u>132,864</u>	<u>130,948</u>	<u>1,916</u>
Total Commissioner – Precinct #2	<u>1,389,760</u>	<u>1,712,211</u>	<u>1,444,577</u>	<u>267,634</u>
Commissioner – Precinct #3:				
Salaries and wages, and employee benefits	605,601	635,600	510,897	124,703
Operating expenditures	737,974	1,077,885	671,752	406,133
Capital outlay expenditures		102,852	102,852	-0-
Debt service expenditures	<u>52,906</u>	<u>52,906</u>	<u>52,831</u>	<u>75</u>
Total Commissioner – Precinct #3	<u>1,396,481</u>	<u>1,869,243</u>	<u>1,338,332</u>	<u>530,911</u>
Commissioner – Precinct #4:				
Salaries and wages, and employee benefits	476,320	496,320	457,987	38,333
Operating expenditures	504,047	834,865	523,905	310,960
Capital outlay expenditures	304,510	451,567	451,567	-0-
Debt service expenditures	<u>67,479</u>	<u>67,479</u>	<u>67,479</u>	<u>-0-</u>
Total Commissioner – Precinct #4	<u>1,352,356</u>	<u>1,850,231</u>	<u>1,500,938</u>	<u>349,293</u>
Total Infrastructure and Environmental Services	<u>5,916,087</u>	<u>7,868,575</u>	<u>6,103,287</u>	<u>1,765,288</u>
Total Current Expenditures	<u>\$ 22,947,335</u>	<u>\$ 26,936,372</u>	<u>\$ 23,994,705</u>	<u>\$ 2,941,667</u>

MATAGORDA COUNTY, TEXAS

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE FUNDS*

Exhibit 16
Page 1 of 1

Legal Level of Budgetary Control
For the Year Ended December 31, 2017

	Debt Service Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes	\$ 189,963	\$ 189,963	\$ 196,523	\$ 6,560
Investment income			394	394
Total revenues	<u>189,963</u>	<u>189,963</u>	<u>196,917</u>	<u>6,954</u>
Expenditures:				
Debt Service:				
Principal	105,000	105,000	105,000	-0-
Interest and fiscal charges	<u>84,963</u>	<u>84,963</u>	<u>84,963</u>	<u>-0-</u>
Total expenditures	<u>189,963</u>	<u>189,963</u>	<u>189,963</u>	<u>-0-</u>
Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>189,963</u>	<u>6,954</u>
Other Financing Sources (Uses):				
Transfers in				-0-
Transfers out				<u>-0-</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	-0-	-0-	6,954	6,954
Fund balances – beginning	<u>26,002</u>	<u>26,002</u>	<u>26,002</u>	<u>-0-</u>
Fund balances – ending	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 32,956</u>	<u>\$ 6,954</u>



MATAGORDA COUNTY, TEXAS

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR)*

For the Year Ended December 31, 2017

	District Attorney Legal/Law Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Charges for services	\$ 45,000	\$ 45,683	\$ 31,352	\$(14,331)
Investment income	400	400	338	(62)
Miscellaneous				-0-
Total revenues	<u>45,400</u>	<u>46,083</u>	<u>31,690</u>	<u>(14,393)</u>
Expenditures:				
Justice System:				
Operating expenditures	16,300	18,237	568	17,669
Public Safety:				
Operating expenditures				-0-
Corrections and Rehabilitation:				
Operating expenditures				-0-
Total expenditures	<u>16,300</u>	<u>18,237</u>	<u>568</u>	<u>17,669</u>
Excess (deficiency) of revenues over expenditures	<u>29,100</u>	<u>27,846</u>	<u>31,122</u>	<u>3,276</u>
Other Financing Sources (Uses):				
Transfers in				-0-
Transfers out	(27,500)	(27,500)	(27,500)	-0-
Total other financing sources (uses)	<u>(27,500)</u>	<u>(27,500)</u>	<u>(27,500)</u>	<u>-0-</u>
Net change in fund balances	1,600	346	3,622	3,276
Fund balances – beginning	<u>112,577</u>	<u>112,577</u>	<u>112,577</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 114,177</u>	<u>\$ 112,923</u>	<u>\$ 116,199</u>	<u>\$ 3,276</u>

Sheriff & Jail Discretionary Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 4,000	\$ 4,000	\$ 1,277	\$ (2,723)
100	100	43	(57)
<u>38,000</u>	<u>38,000</u>	<u>41,495</u>	<u>3,495</u>
<u>42,100</u>	<u>42,100</u>	<u>42,815</u>	<u>715</u>
			-0-
13,100	13,100	2,096	11,004
<u>29,000</u>	<u>29,000</u>	<u>31,276</u>	<u>(2,276)</u>
<u>42,100</u>	<u>42,100</u>	<u>33,372</u>	<u>8,728</u>
<u>-0-</u>	<u>-0-</u>	<u>9,443</u>	<u>9,443</u>
			-0-
			-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>9,443</u>	<u>9,443</u>
<u>58,099</u>	<u>58,099</u>	<u>58,099</u>	<u>-0-</u>
<u>\$ 58,099</u>	<u>\$ 58,099</u>	<u>\$ 67,542</u>	<u>\$ 9,443</u>

(continued)

MATAGORDA COUNTY, TEXAS

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR) - Continued*

For the Year Ended December 31, 2017

	County Clerk Preservation & Automation Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Charges for services	\$ 151,000	\$ 151,000	\$ 152,042	\$ 1,042
Investment income	400	400	2,698	2,298
Total revenues	<u>151,400</u>	<u>151,400</u>	<u>154,740</u>	<u>3,340</u>
Expenditures:				
General Government:				
Operating expenditures	142,900	219,229	185,660	33,569
Total expenditures	<u>142,900</u>	<u>219,229</u>	<u>185,660</u>	<u>33,569</u>
Excess (deficiency) of revenues over expenditures	<u>8,500</u>	<u>(67,829)</u>	<u>(30,920)</u>	<u>36,909</u>
Other Financing Sources (Uses):				
Transfers in				-0-
Transfers out				-0-
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	8,500	(67,829)	(30,920)	36,909
Fund balances – beginning	<u>514,136</u>	<u>514,136</u>	<u>514,136</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 522,636</u>	<u>\$ 446,307</u>	<u>\$ 483,216</u>	<u>\$ 36,909</u>

Countywide Records Management Preservation Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 10,000	\$ 10,000	\$ 11,256	\$ 1,256
<u>1,250</u>	<u>1,250</u>	<u>206</u>	<u>(1,044)</u>
<u>11,250</u>	<u>11,250</u>	<u>11,462</u>	<u>212</u>
<u>11,250</u>	<u>11,250</u>	<u> </u>	<u>11,250</u>
<u>11,250</u>	<u>11,250</u>	<u>-0-</u>	<u>11,250</u>
<u>-0-</u>	<u>-0-</u>	<u>11,462</u>	<u>11,462</u>
<u> </u>	<u> </u>	<u> </u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>-0-</u>	<u>11,462</u>	<u>11,462</u>
<u>32,021</u>	<u>32,021</u>	<u>32,021</u>	<u>-0-</u>
<u>\$ 32,021</u>	<u>\$ 32,021</u>	<u>\$ 43,483</u>	<u>\$ 11,462</u>

(continued)

MATAGORDA COUNTY, TEXAS

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR) - Continued*

For the Year Ended December 31, 2017

	Courthouse Security Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Charges for services	\$ 19,000	\$ 19,000	\$ 19,800	\$ 800
Investment income	<u>200</u>	<u>200</u>	<u>394</u>	<u>194</u>
Total revenues	<u>19,200</u>	<u>19,200</u>	<u>20,194</u>	<u>994</u>
Expenditures:				
General Government:				
Operating expenditures	17,000	17,000	7,125	9,875
Justice System:				
Operating expenditures	<u> </u>	<u> </u>	<u> </u>	<u>-0-</u>
Total expenditures	<u>17,000</u>	<u>17,000</u>	<u>7,125</u>	<u>9,875</u>
Excess (deficiency) of revenues over expenditures	<u>2,200</u>	<u>2,200</u>	<u>13,069</u>	<u>10,869</u>
Other Financing Sources (Uses):				
Transfers in				-0-
Transfers out	<u> </u>	<u> </u>	<u> </u>	<u>-0-</u>
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	2,200	2,200	13,069	10,869
Fund balances – beginning	<u>61,577</u>	<u>61,577</u>	<u>61,577</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 63,777</u>	<u>\$ 63,777</u>	<u>\$ 74,646</u>	<u>\$ 10,869</u>

Justice Court Technology Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 8,500	\$ 8,500	\$ 8,228	\$(272)
<u>500</u>	<u>500</u>	<u>67</u>	<u>(433)</u>
<u>9,000</u>	<u>9,000</u>	<u>8,295</u>	<u>(705)</u>
			-0-
<u>9,000</u>	<u>10,300</u>	<u>9,912</u>	<u>388</u>
<u>9,000</u>	<u>10,300</u>	<u>9,912</u>	<u>388</u>
<u>-0-</u>	<u>(1,300)</u>	<u>(1,617)</u>	<u>(317)</u>
			-0-
			-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>-0-</u>	<u>(1,300)</u>	<u>(1,617)</u>	<u>(317)</u>
<u>16,918</u>	<u>16,918</u>	<u>16,918</u>	<u>-0-</u>
<u>\$ 16,918</u>	<u>\$ 15,618</u>	<u>\$ 15,301</u>	<u>\$(317)</u>

(continued)

MATAGORDA COUNTY, TEXAS

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR) - Continued*

For the Year Ended December 31, 2017

	District Clerk Records Management Preservation Fund			
	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Charges for services	\$ 5,600	\$ 5,600	\$ 10,106	\$ 4,506
Investment income	200	200	350	150
Total revenues	<u>5,800</u>	<u>5,800</u>	<u>10,456</u>	<u>4,656</u>
Expenditures:				
General Government:				
Operating expenditures				-0-
Justice System:				
Salaries and wages, and employee benefits	1,579	1,579		1,579
Operating expenditures	5,800	5,800		5,800
Capital outlay expenditures				-0-
Total expenditures	<u>7,379</u>	<u>7,379</u>	<u>-0-</u>	<u>7,379</u>
Excess (deficiency) of revenues over expenditures	<u>(1,579)</u>	<u>(1,579)</u>	<u>10,456</u>	<u>12,035</u>
Other Financing Sources (Uses):				
Transfers in				-0-
Transfers out				-0-
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	<u>(1,579)</u>	<u>(1,579)</u>	<u>10,456</u>	<u>12,035</u>
Fund balances – beginning	<u>60,008</u>	<u>60,008</u>	<u>60,008</u>	<u>-0-</u>
Fund balances – ending	<u>\$ 58,429</u>	<u>\$ 58,429</u>	<u>\$ 70,464</u>	<u>\$ 12,035</u>

County & District Court Technology Fund			
Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
Original	Final		
\$ 7,500	\$ 7,500	\$ 15,560	\$ 8,060
<u>160</u>	<u>160</u>	<u>335</u>	<u>175</u>
<u>7,660</u>	<u>7,660</u>	<u>15,895</u>	<u>8,235</u>
7,000	7,000		7,000
4,860	4,860		-0-
<u>10,312</u>	<u>10,312</u>		<u>4,860</u>
<u>22,172</u>	<u>22,172</u>	<u>-0-</u>	<u>10,312</u>
(<u>14,512</u>)	(<u>14,512</u>)	<u>15,895</u>	<u>22,172</u>
			<u>30,407</u>
			-0-
			-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
(<u>14,512</u>)	(<u>14,512</u>)	<u>15,895</u>	<u>30,407</u>
<u>54,320</u>	<u>54,320</u>	<u>54,320</u>	<u>-0-</u>
<u>\$ 39,808</u>	<u>\$ 39,808</u>	<u>\$ 70,215</u>	<u>\$ 30,407</u>

(continued)

MATAGORDA COUNTY, TEXAS

*SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS (NONMAJOR) – Continued*
For the Year Ended December 31, 2017

Exhibit 17
Page 5 of 5

	Historical Commission Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Investment income	\$ _____	\$ _____	\$ _____ 75	\$ _____ 75
Total revenues	_____ -0-	_____ -0-	_____ 75	_____ 75
Expenditures:				
Community and Economic Development:				
Operating expenditures	_____ 7,000	_____ 7,000	_____ 654	_____ 6,346
Total expenditures	_____ 7,000	_____ 7,000	_____ 654	_____ 6,346
Excess (deficiency) of revenues over expenditures	(_____ 7,000)	(_____ 7,000)	(_____ 579)	_____ 6,421
Other Financing Sources (Uses):				
Transfers in	_____ 7,000	_____ 7,000	_____ 7,000	_____ -0-
Transfers out	_____ _____	_____ _____	_____ _____	_____ -0-
Total other financing sources (uses)	_____ 7,000	_____ 7,000	_____ 7,000	_____ -0-
Net change in fund balances	_____ -0-	_____ -0-	_____ 6,421	_____ 6,421
Fund balances – beginning	_____ 9,220	_____ 9,220	_____ 9,220	_____ -0-
Fund balances – ending	\$ _____ 9,220	\$ _____ 9,220	\$ _____ 15,641	\$ _____ 6,421



MATAGORDA COUNTY, TEXAS**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS**

For the Year Ended December 31, 2017

Exhibit 18
Page 1 of 2

	Balance 01-01-17	Additions	Deductions	Balance 12-31-17
COUNTY CLERK TRUST FUND:				
<i>Assets</i>				
Cash and investments	\$ <u>12,144</u>	\$ <u>14,695</u>	\$ <u>12,144</u>	\$ <u>14,695</u>
Total assets	\$ <u><u>12,144</u></u>	\$ <u><u>14,695</u></u>	\$ <u><u>12,144</u></u>	\$ <u><u>14,695</u></u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Due to others	\$ <u>12,144</u>	\$ <u>14,695</u>	\$ <u>12,144</u>	\$ <u>14,695</u>
Total liabilities	\$ <u><u>12,144</u></u>	\$ <u><u>14,695</u></u>	\$ <u><u>12,144</u></u>	\$ <u><u>14,695</u></u>
DISTRICT CLERK TRUST FUND:				
<i>Assets</i>				
Cash and investments	\$ <u>2,659,324</u>	\$ <u>1,012,258</u>	\$ <u>2,659,324</u>	\$ <u>1,012,258</u>
Total assets	\$ <u><u>2,659,324</u></u>	\$ <u><u>1,012,258</u></u>	\$ <u><u>2,659,324</u></u>	\$ <u><u>1,012,258</u></u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Due to others	\$ <u>2,659,324</u>	\$ <u>1,012,258</u>	\$ <u>2,659,324</u>	\$ <u>1,012,258</u>
Total liabilities	\$ <u><u>2,659,324</u></u>	\$ <u><u>1,012,258</u></u>	\$ <u><u>2,659,324</u></u>	\$ <u><u>1,012,258</u></u>
INMATE TRUST FUND:				
<i>Assets</i>				
Cash and investments	\$ <u>37,669</u>	\$ <u>43,403</u>	\$ <u>37,669</u>	\$ <u>43,403</u>
Total assets	\$ <u><u>37,669</u></u>	\$ <u><u>43,403</u></u>	\$ <u><u>37,669</u></u>	\$ <u><u>43,403</u></u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Due to others	\$ <u>37,669</u>	\$ <u>43,403</u>	\$ <u>37,669</u>	\$ <u>43,403</u>
Total liabilities	\$ <u><u>37,669</u></u>	\$ <u><u>43,403</u></u>	\$ <u><u>37,669</u></u>	\$ <u><u>43,403</u></u>

MATAGORDA COUNTY, TEXAS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -

AGENCY FUNDS - Continued

For the Year Ended December 31, 2017

Exhibit 18

Page 2 of 2

	Balance 01-01-17	Additions	Deductions	Balance 12-31-17
TAX ASSESSOR COLLECTOR FUND:				
<i>Assets</i>				
Cash and investments	\$ <u>219,488</u>	\$ <u>178,237</u>	\$ <u>219,488</u>	\$ <u>178,237</u>
Total assets	\$ <u>219,488</u>	\$ <u>178,237</u>	\$ <u>219,488</u>	\$ <u>178,237</u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Due to other governments	\$ 219,169	\$ 178,145	\$ 219,169	\$ 178,145
Due to others	<u>319</u>	<u>92</u>	<u>319</u>	<u>92</u>
Total liabilities	\$ <u>219,488</u>	\$ <u>178,237</u>	\$ <u>219,488</u>	\$ <u>178,237</u>
ADULT PROBATION FUND:				
<i>Assets</i>				
Cash and investments	\$ <u>736,700</u>	\$ <u>1,426,866</u>	\$ <u>1,381,043</u>	\$ <u>782,523</u>
Total assets	\$ <u>736,700</u>	\$ <u>1,426,866</u>	\$ <u>1,381,043</u>	\$ <u>782,523</u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Accounts payable	\$ 61,150	\$ 51,020	\$ 61,150	\$ 51,020
Due to others	<u>675,550</u>	<u>1,436,252</u>	<u>1,380,299</u>	<u>731,503</u>
Total liabilities	\$ <u>736,700</u>	\$ <u>1,487,272</u>	\$ <u>1,441,449</u>	\$ <u>782,523</u>
TOTALS – ALL AGENCY FUNDS:				
<i>Assets</i>				
Cash and investments	\$ <u>3,665,325</u>	\$ <u>2,675,459</u>	\$ <u>4,309,668</u>	\$ <u>2,031,116</u>
Total assets	\$ <u>3,665,325</u>	\$ <u>2,675,459</u>	\$ <u>4,309,668</u>	\$ <u>2,031,116</u>
<i>Liabilities and Fund Balance</i>				
Liabilities:				
Accounts payable	\$ 61,150	\$ 51,020	\$ 61,150	\$ 51,020
Due to other governments	219,169	178,145	219,169	178,145
Due to others	<u>3,385,006</u>	<u>2,684,753</u>	<u>4,308,605</u>	<u>1,801,951</u>
Total liabilities	\$ <u>3,665,325</u>	\$ <u>2,913,918</u>	\$ <u>4,588,924</u>	\$ <u>2,031,116</u>



STATISTICAL SECTION



MATAGORDA COUNTY, TEXAS

Statistical Section
(unaudited)

This part of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and additional supplementary information say about the County's overall financial health.

<u>Content</u>	<u>Page</u>
Financial Trends	108-115
These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
Revenue Capacity	116-121
These schedules contain information to help the reader assess the County's most significant local revenue source, the property tax.	
Debt Capacity	122-125
These schedules present information to help the reader assess the affordability of the County's current level of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Indicators	126-127
These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.	
Operating Information	128-133
These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.	

MATAGORDA COUNTY, TEXAS
NET POSITION BY COMPONENTS
 Last Ten Fiscal Years

Table 1

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities:					
Net investment in capital assets	\$ 20,506,971	\$ 19,522,703	\$ 17,819,411	\$ 16,381,686	\$ 16,401,437
Restricted	5,594	5,034	3,987	1,096,131	935,092
Unrestricted	<u>10,395,793</u>	<u>9,800,301</u>	<u>8,393,819</u>	<u>6,238,050</u>	<u>5,812,670</u>
Total governmental activities net position	<u>\$ 30,908,358</u>	<u>\$ 29,328,038</u>	<u>\$ 26,217,208</u>	<u>\$ 23,715,867</u>	<u>\$ 23,149,199</u>

Source: Comprehensive Annual Financial Report (Statement of Net Position)

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 15,782,772	\$ 17,259,548	\$ 23,077,392	\$ 20,110,391	\$ 20,889,826
816,242	842,358	3,447,500	2,393,253	999,683
<u>5,930,480</u>	<u>5,973,418</u>	<u>2,236,338</u>	<u>2,241,129</u>	<u>2,272,976</u>
<u>\$ 22,529,494</u>	<u>\$ 24,075,324</u>	<u>\$ 28,761,230</u>	<u>\$ 24,744,773</u>	<u>\$ 24,162,485</u>

MATAGORDA COUNTY, TEXAS
CHANGES IN NET POSITION
 Last Ten Fiscal Years

Table 2

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses					
Governmental Activities:					
General government	\$ 2,303,706	\$ 2,800,507	\$ 2,916,150	\$ 3,238,152	\$ 3,573,090
Justice system	2,965,507	3,402,444	3,673,061	3,617,128	3,393,214
Public safety	3,245,747	3,846,603	3,301,813	3,441,085	3,379,800
Corrections and rehabilitation	2,363,299	2,229,983	2,396,883	2,246,252	2,036,930
Health and human services	1,219,112	1,283,782	1,397,815	1,364,578	1,354,286
Community and economic development	1167,753	1,597,919	2,002,462	2,289,523	1,324,645
Infrastructure and environmental services	5,922,408	6,335,128	7,742,526	6,881,349	5,671,712
Intergovernmental				290,001	2,604,849
Interest on long-term debt	<u>59,224</u>	<u>53,070</u>	<u>46,788</u>	<u>40,020</u>	<u>37,868</u>
Total governmental activities expenses	<u>\$ 19,246,756</u>	<u>\$ 21,549,436</u>	<u>\$ 23,477,498</u>	<u>\$ 23,408,088</u>	<u>\$ 23,376,394</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
General government	\$ 1,363,971	\$ 1,241,539	\$ 1,234,096	\$ 1,227,359	\$ 1,283,268
Justice system	1,422,866	1,069,513	682,049	897,829	783,258
Public safety	3,471,050	3,266,384	3,196,198	3,157,683	3,226,989
Corrections and rehabilitation	90,155	145,540	267,029	128,297	93,515
Health and human services	57,506	45,980	70,070	63,717	61,074
Community and economic development	124,171	144,380	205,118	196,767	200,410
Infrastructure and environmental services	66,402	83,753	387,145	278,522	112,564
Operating grants and contributions	1,661,296	2,500,369	2,383,709	2,214,978	4,251,542
Capital grants and contributions					
Total governmental activities program revenues	<u>8,257,417</u>	<u>8,497,458</u>	<u>8,425,414</u>	<u>8,165,152</u>	<u>10,012,620</u>
Net (expense) revenue	<u>\$(10,989,339)</u>	<u>\$(13,051,978)</u>	<u>\$(15,052,084)</u>	<u>\$(15,242,936)</u>	<u>\$(13,363,774)</u>
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes	\$ 9,921,906	\$ 11,160,539	\$ 11,501,213	\$ 12,243,775	\$ 12,758,819
Investment earnings	70,657	65,041	99,083	267,556	33,357
Miscellaneous	<u>380,173</u>	<u>246,078</u>	<u>340,958</u>	<u>230,264</u>	<u>133,153</u>
Total general revenues	<u>\$ 10,372,736</u>	<u>\$ 11,471,658</u>	<u>\$ 11,941,254</u>	<u>\$ 12,741,595</u>	<u>\$ 12,925,329</u>
Change in net position	<u>\$(616,603)</u>	<u>\$(1,580,320)</u>	<u>\$(3,110,830)</u>	<u>\$(2,501,341)</u>	<u>\$(438,445)</u>

Source: Comprehensive Annual Financial Report (Statement of Activities)

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 3,564,536	\$ 4,030,366	\$ 4,414,046	\$ 4,594,032	\$ 6,821,388
3,492,513	3,652,376	4,085,240	4,008,884	4,695,643
3,612,977	3,892,339	4,279,120	4,404,045	5,670,232
2,261,328	2,334,817	2,575,842	2,692,576	3,811,044
1,390,657	1,418,957	1,508,231	1,450,050	1,474,631
5,213,574	1,160,109	1,382,101	1,210,022	1,946,369
6,342,332	5,228,877	6,158,182	8,580,302	7,639,725
566,199	2,304,056	1,191,733	7,130,930	
<u>30,073</u>	<u>29,542</u>	<u>154,903</u>	<u>124,987</u>	<u>105,756</u>
<u>\$ 26,474,189</u>	<u>\$ 24,051,439</u>	<u>\$ 25,749,398</u>	<u>\$ 34,195,828</u>	<u>\$ 32,164,788</u>

\$ 1,304,741	\$ 1,325,694	\$ 1,388,439	\$ 1,373,609	\$ 1,694,057
1,062,915	1,374,752	1,972,518	248,067	2,086,607
3,323,250	3,398,955	3,292,142	2,821,947	3,216,636
109,428	140,975	154,935	179,924	870,203
63,339	72,083	64,854	72,149	89,472
188,626	180,042	228,692	214,760	344,333
129,682	352,573	411,784	392,615	1,661,543
5,511,435	1,322,719	1,225,197	1,065,975	2,636,558
<u>165,879</u>	<u>2,870,484</u>	<u>8,441,394</u>	<u>7,100,204</u>	<u>37,636</u>
<u>11,859,295</u>	<u>11,038,277</u>	<u>17,179,955</u>	<u>13,469,250</u>	<u>12,637,045</u>
<u>\$(14,614,894)</u>	<u>\$(13,013,162)</u>	<u>\$(8,569,443)</u>	<u>\$(20,726,578)</u>	<u>\$(19,527,743)</u>

\$ 13,732,189	\$ 14,269,367	\$ 15,272,676	\$ 16,392,558	\$ 18,533,031
97,781	107,161	46,471	144,532	262,237
<u>165,217</u>	<u>182,468</u>	<u>167,131</u>	<u>173,033</u>	<u>150,187</u>
<u>\$ 13,995,187</u>	<u>\$ 14,558,996</u>	<u>\$ 15,486,278</u>	<u>\$ 16,710,123</u>	<u>\$ 18,945,455</u>
<u>\$(619,707)</u>	<u>\$ 1,545,834</u>	<u>\$ 6,916,835</u>	<u>\$(4,016,455)</u>	<u>\$(582,288)</u>

MATAGORDA COUNTY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

Table 3

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund:					
Non-spendable	\$	\$	\$ 282,669	\$ 292,680	\$ 387,339
Restricted				931,516	1,027,113
Committed					
Unassigned			6,684,356	6,014,110	6,896,050
Unreserved	<u>7,496,109</u>	<u>7,419,087</u>	<u> </u>	<u> </u>	<u> </u>
Total general fund	<u>\$ 7,496,109</u>	<u>\$ 7,419,087</u>	<u>\$ 6,967,025</u>	<u>\$ 7,238,306</u>	<u>\$ 8,310,502</u>
All Other Governmental Funds:					
Restricted	\$	\$	\$ 1,100,257	\$ 1,103,170	\$ 894,586
Unassigned					
Reserved	817	4,924			
Unreserved, Reported In:					
Special Revenue Funds	<u>1,066,974</u>	<u>1,072,242</u>	<u> </u>	<u> </u>	<u> </u>
Total all other governmental funds	<u>\$ 1,067,791</u>	<u>\$ 1,077,166</u>	<u>\$ 1,100,257</u>	<u>\$ 1,103,170</u>	<u>\$ 894,586</u>
Total all governmental funds	<u>\$ 8,563,900</u>	<u>\$ 8,496,253</u>	<u>\$ 8,067,282</u>	<u>\$ 8,341,476</u>	<u>\$ 9,205,088</u>

Source: Comprehensive Annual Financial Report (Balance Sheet - Governmental Funds)
 GASB 54 implemented in 2010 resulting in change in fund balance categories.

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 337,048	\$ 617,348	\$ 937,646	\$ 408,330	\$ 523,587
1,224,842	1,654,219	1,788,128		
			1,436,849	1,686,685
8,088,794	7,925,903	7,623,601	9,056,754	10,736,520
<u>\$ 9,650,684</u>	<u>\$ 10,197,470</u>	<u>\$ 10,349,375</u>	<u>\$ 10,901,933</u>	<u>\$ 12,946,792</u>
\$ 816,480	\$ 829,824	\$ 3,432,048	\$ 2,395,215	\$ 2,093,668
				(759,419)
<u>\$ 816,480</u>	<u>\$ 829,824</u>	<u>\$ 3,432,048</u>	<u>\$ 2,395,215</u>	<u>\$ 1,334,249</u>
<u>\$ 10,467,164</u>	<u>\$ 11,027,294</u>	<u>\$ 13,781,423</u>	<u>\$ 13,297,148</u>	<u>\$ 14,281,041</u>

MATAGORDA COUNTY, TEXAS**CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

Table 4

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues:					
Taxes	\$ 9,903,450	\$ 11,124,689	\$ 11,422,107	\$ 12,219,087	\$ 12,766,067
Licenses and permits	842,590	818,549	813,885	792,739	794,878
Intergovernmental	1,694,349	2,478,021	2,130,808	2,255,663	4,273,126
Charges for services	4,838,363	4,524,898	4,959,784	4,622,755	4,445,502
Fines	407,980	415,196	358,715	409,390	379,955
Investment income	411,266	272,525	368,082	246,270	146,783
Miscellaneous	<u>347,093</u>	<u>273,743</u>	<u>523,112</u>	<u>270,267</u>	<u>262,134</u>
Total revenues	<u>18,445,091</u>	<u>19,907,621</u>	<u>20,576,493</u>	<u>20,816,171</u>	<u>23,068,445</u>
Expenditures:					
General government	2,439,805	2,646,612	2,683,735	2,805,567	3,067,887
Justice system	2,740,721	3,155,191	3,389,233	3,295,213	3,070,179
Public safety	2,984,941	3,547,744	2,967,366	3,090,014	2,996,188
Corrections and rehabilitation	2,147,703	2,018,431	2,161,546	2,087,751	1,906,351
Health and human services	1,141,036	1,208,428	1,316,134	1,261,528	1,254,709
Community and economic development	1,093,049	1,223,005	1,223,185	1,267,022	1,034,598
Infrastructure and environmental services	4,541,745	5,063,458	5,722,007	5,058,387	4,821,509
Intergovernmental				290,001	2,613,425
Capital outlay	1,083,682	927,524	1,358,599	1,388,221	1,059,886
Debt Service:					
Principal	125,000	130,000	135,000	145,000	212,555
Interest and fiscal charges	<u>60,853</u>	<u>54,873</u>	<u>48,659</u>	<u>42,093</u>	<u>39,325</u>
Total expenditures	<u>18,358,535</u>	<u>19,975,266</u>	<u>21,005,464</u>	<u>20,730,797</u>	<u>22,076,612</u>
Excess of revenues over (under) expenditures	<u>86,556</u>	<u>(67,645)</u>	<u>(428,971)</u>	<u>85,374</u>	<u>991,833</u>
Other Financing Sources (Uses):					
Transfers in	489,115	67,612	53,450	70,053	40,695
Transfers out	(489,115)	(67,612)	(53,450)	(70,053)	(40,695)
Proceeds from sale of capital asset					
Issuance of capital lease				188,820	
Issuance of certificates of obligation bonds					
Premium on issuance					
Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>188,820</u>	<u>-0-</u>
Extraordinary items	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances	<u>\$ 86,556</u>	<u>\$(67,645)</u>	<u>\$(428,971)</u>	<u>\$ 274,194</u>	<u>\$ 991,833</u>
Debt service as a percentage of noncapital expenditures	1.1%	1.0%	0.9%	1.0%	1.2%

Source: Comprehensive Annual Financial Reports (Statement of Revenues, Expenditures, and Changes in Fund Balances).

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
\$ 13,790,874	\$ 13,286,586	\$ 14,171,108	\$ 16,833,700	\$ 18,184,334
780,770	805,842	766,767	770,097	756,759
5,679,217	3,465,873	9,719,811	8,304,186	2,512,824
4,692,877	4,923,019	4,985,894	4,431,355	4,417,327
359,083	406,122	420,317	429,327	435,100
170,191	189,396	167,131	173,033	259,106
<u>323,794</u>	<u>1,150,101</u>	<u>306,915</u>	<u>343,087</u>	<u>311,556</u>
<u>25,796,806</u>	<u>24,226,939</u>	<u>30,537,943</u>	<u>31,284,785</u>	<u>26,877,006</u>
3,262,721	3,112,170	3,320,691	4,819,501	5,662,847
3,138,020	3,239,914	3,626,356	3,540,786	3,611,473
3,206,246	3,437,289	3,750,060	3,821,650	4,129,307
2,102,157	2,159,036	2,358,621	2,455,704	2,347,663
1,283,214	1,297,399	1,339,962	1,342,124	1,344,985
991,326	1,025,094	1,193,530	1,074,855	1,722,320
8,985,216	5,252,783	5,787,483	5,980,068	4,037,783
566,199	2,304,056	989,112	6,442,116	
1,145,088	1,662,313	8,807,972	1,569,425	3,016,712
278,751	303,265	512,668	594,965	456,156
<u>32,758</u>	<u>24,858</u>	<u>132,629</u>	<u>127,864</u>	<u>112,560</u>
<u>24,991,696</u>	<u>23,818,177</u>	<u>31,819,084</u>	<u>31,769,058</u>	<u>26,441,806</u>
<u>805,110</u>	<u>408,762</u>	<u>(1,281,141)</u>	<u>(484,273)</u>	<u>435,200</u>
33,500	34,500	34,500	34,500	34,500
(33,500)	(34,500)	(34,500)	(34,500)	(34,500)
				12,148
456,965	151,371	1,224,946		536,545
		2,750,000		
		<u>60,325</u>		
<u>456,965</u>	<u>151,371</u>	<u>4,035,271</u>	<u>-0-</u>	<u>548,693</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 1,262,075</u>	<u>\$ 560,133</u>	<u>\$ 2,754,130</u>	<u>\$ (484,273)</u>	<u>\$ 983,893</u>
1.3%	1.5%	2.8%	2.4%	2.4%

MATAGORDA COUNTY, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY^{a b}

Table 5

Last Ten Fiscal Years

Assessed							Taxable
Fiscal Year	Assessed Real Property	Assesses Non-Real Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Value as a Percentage of Actual Taxable Value
2008	\$ 3,580,834,451	\$ 426,262,334	\$(461,540,256)	\$ 3,545,556,529	0.275930	\$ 3,545,556,529	100.00%
2009	4,381,977,682	95,029,605	(491,074,920)	3,985,932,367	0.275180	3,985,932,367	100.00%
2010	3,533,533,063	1,116,722,810	(510,369,654)	4,139,886,219	0.274980	4,139,886,219	100.00%
2011	3,412,943,688	1,553,978,640	(552,937,135)	4,413,985,193	0.274780	4,413,985,193	100.00%
2012	4,085,451,154	950,761,254	(546,317,547)	4,489,894,861	0.281620	4,489,894,861	100.00%
2013	3,997,000,381	1,127,092,670	(560,957,690)	4,563,135,361	0.298780	4,563,135,361	100.00%
2014	2,347,521,763	2,791,886,570	(559,982,098)	4,579,426,235	0.320990	4,579,426,235	100.00%
2015	3,179,148,560	1,660,523,790	(579,127,165)	4,260,545,185	0.358670	4,260,545,185	100.00%
2016	3,535,169,802	1,477,166,650	(746,127,230)	4,266,209,222	0.395680	4,266,209,222	100.00%
2017	3,860,625,616	1,442,071,480	(994,209,738)	4,308,487,358	0.419980	4,308,487,358	100.00%

Source: Matagorda County Central Appraisal District



MATAGORDA COUNTY, TEXAS**DIRECT AND OVERLAPPING PROPERTY TAX RATES**

Table 6

Last Ten Fiscal Years

(rate per \$100 of assessed value)

	2008 Tax Rate	2009 Tax Rate	2010 Tax Rate	2011 Tax Rate	2012 Tax Rate
Cities:					
Bay City	0.50570	0.52934	0.56424	0.56981	0.57191
Palacios	0.71593	0.72717	0.81316	0.85787	0.85787
School Districts:					
Bay City ISD	1.31380	1.32000	1.32000	1.32000	1.32000
Matagorda ISD	1.14512	1.14924	1.16361	1.16720	1.17000
Palacios ISD	1.06000	1.06000	1.06000	1.08500	1.09500
Tidehaven ISD	0.97470	1.03500	1.00500	1.00500	1.19864
Van Vleck ISD	0.98190	1.01000	1.04000	1.04000	1.04000
Matagorda County:					
County	0.27518	0.27498	0.27478	0.28162	0.29878
Utility Districts:					
Beach Road Municipal Utility District	0.10796	0.11302	0.11661	0.11909	0.12549
Caney Creek Municipal Utility District	0.32825	0.36229	0.36243	0.37594	0.38161
Special Districts:					
Coastal Plains Groundwater District	0.00451	0.00448	0.00448	0.00448	0.00479
Matagorda County Conservation & Reclamation	0.00521	0.00497	0.00481	0.00456	0.00470
Matagorda County Drainage District #1	0.09221	0.09329	0.09627	0.09628	0.09524
Matagorda County Drainage District #1	0.07700	0.06200	0.04384	0.03691	0.03366
Matagorda County Drainage District #3	0.01900	0.01700	0.01700	0.01700	0.01700
Matagorda County Drainage District #4	0.19323	0.18097	0.21448	0.23000	0.22311
Matagorda County Hospital District	0.17864	0.18588	0.18851	0.20003	0.23163
Matagorda County Navigation District #1	0.03793	0.03793	0.03874	0.03874	0.03938
Matagorda County Palacios Seawall Commission	0.01909	0.01700	0.01736	0.01700	0.01820
Matagorda County Water Control Improvement District #2	0.13794	0.14799	0.14850	0.17494	0.17494
Matagorda County Water Control Improvement District #6	0.22000	0.23000	0.23493	0.24955	0.26632
Port of Bay City Authority	0.03420	0.03245	0.03116	0.03175	0.03284

Source: Matagorda County Tax Assessor and Palacios ISD Tax Assessor

<u>2013 Tax Rate</u>	<u>2014 Tax Rate</u>	<u>2015 Tax Rate</u>	<u>2016 Tax Rate</u>	<u>2017 Tax Rate</u>
0.56794	0.60209	0.60209	0.60209	0.65500
0.85787	0.85787	0.84000	0.84000	0.85351
1.32394	1.34064	1.34064	1.33120	1.43701
1.16373	1.14831	1.15074	1.14587	1.13958
1.10000	1.10500	1.13500	1.13500	1.13500
1.21760	1.33118	1.37897	1.26111	1.25540
1.04000	0.98840	1.03410	1.01400	1.01400
0.32099	0.35867	0.39568	0.41998	0.41898
0.12943	0.13454	0.13317	0.14102	0.13811
0.39387	0.39000	0.39387	0.38865	0.38918
0.00476	0.00495	0.00500	0.00499	0.00478
0.00522	0.00577	0.00646	0.00691	0.00721
0.08600	0.07750	0.07158	0.06554	0.05138
0.03731	0.04590	0.05287	0.05132	0.05107
0.01500	0.01500	0.01500	0.01635	0.01825
0.22380	0.22249	0.25000	0.26629	0.24150
0.25600	0.27624	0.30147	0.31270	0.32096
0.03872	0.04681	0.04427	0.04442	0.04474
0.01650	0.01761	0.01761	0.01786	0.01841
0.20745	0.21179	0.21179	0.20055	0.20292
0.26632	0.26632	0.25511	0.25511	0.25511
0.03645	0.04044	0.04539	0.04856	0.05072

MATAGORDA COUNTY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago

Table 7

Taxpayer	2017			2008		
	2016 Taxable Assessed Value	Rank	% of Total Assessed Value	2007 Taxable Assessed Value	Rank	% of Total Assessed Value
NRG	\$ 808,225,480	1	18.76%	\$ 1,007,130,824	1	28.41%
Tres Palacios Gas Storage	224,490,270	2	5.21%	--	--	--
Equistar Chemical, LP	137,335,170	3	3.19%	194,926,130	2	5.50%
Ingleside Ethylene, LLC	120,894,660	4	2.81%	--	--	--
Oxea Corporation	110,873,360	5	2.57%	--	--	--
Williams Fld Svcs – Gulf Coast Co.	85,458,310	6	1.98%	35,071,320	6	0.99%
Kinder Morgan Texas Pipeline	66,526,670	7	1.54%	--	--	--
Texas Brine Corporation	62,035,970	8	1.44%	--	--	--
AEP Texas Central Company	50,118,830	9	1.16%	--	--	--
Celanese LTD Chemcial	44,558,420	10	1.03%	80,835,900	3	2.28%
Flint Hills Resources Inv	--	--	--	66,475,760	4	1.87%
Equistar Chemicals, LP UGS	--	--	--	41,109,530	5	1.16%
Midtex Gas Storage Company	--	--	--	32,536,430	7	0.92%
Devon Energy Production	--	--	--	31,531,840	8	0.89%
Enterprise GC, LP	--	--	--	29,893,340	9	0.84%
Apache Corp.	--	--	--	26,241,360	10	0.74%
Total	<u>\$ 1,710,517,140</u>		<u>39.70%</u>	<u>\$ 1,545,752,434</u>		<u>43.59%</u>
Total Taxable Assessed Value	<u>\$ 4,308,487,358</u>			<u>\$ 3,545,556,529</u>		

Source: Matagorda County Tax Assessor

MATAGORDA COUNTY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years

Table 8

Fiscal Year	Tax Levy as of Fiscal Year End	Adjustments	Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
				Amount	Percentage of Levy	
2008	\$ 10,968,961	\$(7,904)	\$ 10,961,057	\$ 10,936,089	99.77%	\$ 930
2009	11,384,047	(36,452)	11,347,595	11,315,231	99.71%	1,807
2010	12,129,877	(19,938)	12,109,939	12,080,093	99.75%	2,404
2011	12,644,542	(203,558)	12,440,984	12,407,390	99.73%	3,655
2012	13,635,349	(298,185)	13,337,164	13,285,597	99.61%	6,658
2013	14,701,308	(1,021,222)	13,680,086	13,614,562	99.52%	11,091
2014	15,282,252	25,106	15,307,358	14,122,704	92.26%	26,117
2015	16,882,334	(64,509)	16,817,825	16,034,255	95.34%	86,545
2016	18,101,810	46,842	18,148,652	17,604,870	97.00%	--
2017	18,638,936	17,362	18,656,298	4,127,200	22.12%	--

Source: Matagorda County Tax Assessor-Collector

MATAGORDA COUNTY, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Fiscal Years

Table 9

Fiscal Year	Governmental Activities			Percentage of Personal Income	Population	Debt per Capita
	Certificates of Obligation ¹	Capital Leases	Total Outstanding Debt			
2008	\$ 1,235,000	\$ --	\$ 1,235,000	0.13%	36,860	33.51
2009	1,105,000	--	1,105,000	0.10%	37,265	29.65
2010	970,000	--	970,000	0.09%	36,978	26.23
2011	825,000	188,820	1,013,820	0.08%	36,763	27.58
2012	675,000	126,265	801,265	0.07%	36,809	21.77
2013	520,000	459,478	979,478	0.08%	36,547	26.80
2014	355,000	620,634	975,634	0.08%	36,592	26.66
2015	2,987,310	1,359,864	4,347,174	0.32%	36,519	119.04
2016	2,804,294	944,431	3,748,725	0.26%	36,770	101.95
2017	2,698,129	1,129,820	3,827,949	0.26%	37,187	102.94

Source: Comprehensive Annual Financial Report

¹ Presented net of original issuance premiums

MATAGORDA COUNTY, TEXAS

RATIO OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

Table 10

Fiscal Year	Governmental Activities			Total	Percentage of Estimated Actual Taxable Value of Property(3)	Per Capita(4)
	General Obligation Bonds(1)	Less: Amounts Available in Debt Service Fund(2)				
2017	\$ 2,698,129	\$ 32,956	\$ 2,665,173	0.06%	72	
2016	2,804,294	26,002	2,778,292	0.07%	76	
2015	2,987,310	6,191	2,981,119	0.07%	82	
2014	355,000	14,657	340,343	0.01%	9	
2013	520,000	18,055	501,945	0.01%	14	
2012	675,000	13,787	661,213	0.01%	18	
2011	825,000	11,363	813,637	0.02%	22	
2010	970,000	7,505	962,495	0.02%	26	
2009	1,105,000	4,924	1,100,076	0.03%	30	
2008	1,235,000	817	1,234,183	0.03%	33	

Source: Comprehensive Annual Financial Report (Detailed Notes on all Funds)

- 1) This is the general bonded debt of both governmental activities, net of original issue premiums.
- 2) This is the amount restricted for debt service principal payments.
- 3) See the of Assessed Value and Estimated Actual Value of Taxable Property on page 116 for property value data.
- 4) Population date can be found in the Schedule of Demographic and Economic Statistics on page 126.

MATAGORDA COUNTY, TEXAS*COMPUTATION OF DIRECT AND OVERLAPPING DEBT*

As of December 31, 2017

Table 11

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
City of Bay City	\$ 12,639,295	100.00%	\$ 12,639,295
City of Palacios	760,245	100.00%	760,245
Tidehaven ISD	45,195,000	100.00%	45,195,000
Palacios ISD	6,755,000	94.08%	6,354,834
Bay City ISD	17,387,484	100.00%	17,387,484
Matagorda ISD	--	100.00%	--
Van Vleck ISD	270,608	100.00%	270,608
Matagorda County Navigation District #1	1,515,000	100.00%	1,515,000
Caney Creek Municipal Utility District	2,722,000	100.00%	2,722,000
Beach Road Municipal Utility District	364,000	100.00%	<u>364,000</u>
Sub-total Overlapping Debt			87,208,466
Matagorda County, Texas direct debt			<u>2,698,129</u>
Total Direct & Overlapping Debt			<u>\$ 89,906,595</u>

Source: Outstanding debt and applicable percentages provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the County. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the County. This process recognizes that, when considering the County's ability to issue and repay long-term debt, the entire debt burden borne by the property taxpayers should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for paying the debt, of each overlapping government.

MATAGORDA COUNTY, TEXAS
COMPUTATION OF LEGAL DEBT MARGIN
 Last Ten Fiscal Years

Table 12

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 531,833,479	\$ 597,889,855	\$ 620,982,933	\$ 1,103,496,298	\$ 1,122,473,715
Total net debt applicable to limit	<u>1,234,183</u>	<u>1,100,076</u>	<u>977,505</u>	<u>813,637</u>	<u>661,213</u>
Legal debt margin	<u>\$ 530,599,296</u>	<u>\$ 596,789,779</u>	<u>\$ 620,005,428</u>	<u>\$ 1,102,682,661</u>	<u>\$ 1,121,812,502</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>0.23%</u>	<u>0.18%</u>	<u>0.16%</u>	<u>0.07%</u>	<u>0.06%</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$ 1,140,783,840	\$ 1,144,856,559	\$ 1,062,200,105	\$ 1,066,552,306	\$ 1,074,456,667
Total net debt applicable to limit	<u>501,945</u>	<u>349,747</u>	<u>2,936,191</u>	<u>2,830,296</u>	<u>2,665,173</u>
Legal debt margin	<u>\$ 1,140,281,895</u>	<u>\$ 1,144,506,812</u>	<u>\$ 1,059,263,914</u>	<u>\$ 1,063,722,010</u>	<u>\$ 1,071,791,494</u>
Total net debt applicable to the limit as a percentage of debt limit	<u>0.04%</u>	<u>0.03%</u>	<u>0.28%</u>	<u>0.27%</u>	<u>0.25%</u>

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	\$ 4,308,487,358
Debt Limit (25% of Assessed Value)	1,077,121,840
Debt Applicable to Limit:	
General Obligation Bonds	2,698,129
Less: Amount set aside for repayment of General Obligation Debt	<u>32,956</u>
Total Net Debt Applicable to Limit	<u>2,665,173</u>
Legal Debt Margin	<u>\$ 1,074,456,667</u>

Sources: Matagorda County Appraisal District and Matagorda County Comprehensive Annual Financial Report.

MATAGORDA COUNTY, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Fiscal Years

Table 13

<u>Fiscal Year</u>	<u>Population(1)</u>	<u>Per Capita Income (1)</u>	<u>Personal Income (Thousands of Dollars)</u>	<u>Public School Enrollment(3)</u>	<u>Unemployment Rate(3)</u>
2017	37,187	\$ 39,090	\$ 1,453,644	7,150	6.7%
2016	36,770	39,493	1,452,173	7,264	7.8%
2015	36,519	37,324	1,363,043	7,121	7.3%
2014	36,592	35,426	1,296,291	7,022	6.7%
2013	36,547	33,696	1,231,490	7,009	9.1%
2012	36,809	33,287	1,225,279	7,096	9.4%
2011	36,763	32,955	1,211,531	7,159	16.4%
2010	36,978	30,409	1,124,476	7,182	10.3%
2009	37,265	28,809	1,073,586	7,373	7.0%
2008	36,860	26,027	959,353	7,453	6.0%

Sources: (1) Bureau of Economic Analysis
 (2) Texas Education Agency
 (3) Texas LMCI Tracer 2

MATAGORDA COUNTY, TEXAS
PRINCIPAL EMPLOYERS
 Current Year and Nine Years Ago

Table 14

Employer	2017			2008		
	Number of Employees	Rank	% of Total County Employment	Number of Employees	Rank	% of Total County Employment
South Texas Project	1,179	1	7.59%	1,200	1	7.57%
Tenaris	641	2	4.13%			
Bay City ISD	549	3	3.53%	829	2	5.23%
Matagorda Hospital	295	4	1.90%	298	4	1.88%
Matagorda County	249	5	1.60%	216	6	1.36%
Palacios ISD	208	6	1.34 %	304	3	1.92%
Oxea	178	7	1.15 %			
Lyondell	158	8	1.02 %	182	9	1.15%
City of Bay City	157	9	1.01 %	181	10	1.14%
Van Vleck ISD	154	10	0.99%	194	8	1.22%
Wal-Mart			0.00%	294	5	1.86%
HEB			0.00%	200	7	1.26%
Total	<u>\$ 3,768</u>		<u>24.25%</u>	<u>4,080</u>		<u>25.75%</u>

Source: Texas LMCI Tracer – Total County employment for current year

MATAGORDA COUNTY, TEXAS**FULL-TIME COUNTY GOVERNMENT EMPLOYEES BY FUNCTION**

Last Ten Fiscal Years

Table 15

Function	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	34	34	34	34	34	34	35	32	31	30
Justice system	37	37	37	37	34	34	34	42	36	42
Public safety	47	47	48	48	49	49	48	45	42	42
Corrections & rehabilitation	34	35	35	35	35	35	35	35	35	53
Health & human services	7	7	7	7	7	7	7	7	8	8
Community & economic development	10	10	10	10	10	10	10	10	7	8
Infrastructure & environmental services	<u>34</u>	<u>35</u>	<u>33</u>	<u>37</u>	<u>37</u>	<u>37</u>	<u>39</u>	<u>32</u>	<u>33</u>	<u>34</u>
Total	<u>203</u>	<u>205</u>	<u>204</u>	<u>208</u>	<u>206</u>	<u>206</u>	<u>208</u>	<u>203</u>	<u>192</u>	<u>217</u>

Source: Human Resources and Auditor's Office



MATAGORDA COUNTY, TEXAS
OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

Table 16

Function	Fiscal Year				
	2008	2009	2010	2011	2012
General Government:					
Births filed	420	389	404	386	355
Deaths filed	261	258	273	258	287
Marriage license applications	261	265	321	327	328
Registered voters	21,725	20,806	21,116	20,543	21,358
Auto titles	5,833	5,489	4,513	5,491	5,686
Justice System					
District Court					
Civil cases filed	848	764	399	425	386
Civil case dispositions	994	933	414	330	371
Criminal cases filed	526	538	718	413	379
Criminal case dispositions	518	548	879	483	554
County Court					
Civil cases filed	73	52	64	75	67
Civil case dispositions	59	30	65	71	61
Criminal cases filed	983	935	968	986	1,001
Criminal case dispositions	1,085	1,073	1,096	4,955	1,112
Justices of the Peace					
Civil cases filed	592	408	363	385	374
Civil case dispositions	244	166	141	181	866
Criminal cases filed	6,591	6,599	5,351	4,955	3,931
Criminal case dispositions	4,450	5,153	3,848	4,626	5,500
Public safety					
Total calls for service	7,957	7,851	7,863	7,976	7,605
Total arrests	890	744	970	791	680
Corrections and Rehabilitation					
Number of inmates per year	1,553	1,582	1,732	1,808	1,391
Health and Human Services					
Food permits issued	245	245	250	249	242
Food inspections	333	362	*	*	*
Septic permits issued	160	104	123	111	97
Building permits issued	449	367	375	333	297
Electrical permits issued	496	210	446	498	510

Sources: Various County department records

*: Information not available

Fiscal Year					
2013	2014	2015	2016	2017	
474	571	514	545	596	
281	284	286	293	311	
309	276	307	325	324	
20,525	20,978	20,656	21,535	21,352	
5,731	5,717	5,621	5,561	5,093	
383	307	337	435	464	
304	355	254	217	266	
488	334	260	360	465	
553	508	512	560	424	
74	73	58	63	83	
67	58	88	78	63	
982	850	729	784	719	
989	1,013	942	1,017	658	
416	414	418	416	406	
413	368	396	361	367	
3,381	3,452	2,906	3,068	3,539	
3,566	2,032	2,412	2,719	2,779	
6,262	6,552	7,287	7,513	7,571	
800	799	718	727	807	
2,017	2,083	1,866	1,075	1,322	
234	238	253	266	244	
*	*	*	*	*	
109	148	124	136	157	
330	373	290	281	372	
488	516	100	100	571	

MATAGORDA COUNTY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years

Table 17

Function	Fiscal Year				
	2008	2009	2010	2011	2012
General Government					
Buildings	42	42	42	42	42
Public Safety					
Sheriff vehicles	47	48	55	53	53
Fire and ambulance	48	48	48	48	48
Infrastructure and Environmental Services					
County roads (miles)	1,126	1,126	1,126	1,126	1,126
County bridges	87	87	87	87	87
Community and Economic Development					
County parks	9	9	9	9	9

Sources: Various County department records

Fiscal Year				
2013	2014	2015	2016	2017
42	42	42	42	43
46	48	49	49	53
50	51	51	51	51
1,126	1,126	1,126	1,126	1,126
87	87	87	87	87
9	9	9	9	9



FEDERAL AWARDS SECTION



Kennemer, Masters & Lunsford

CERTIFIED PUBLIC ACCOUNTANTS

Limited Liability Company

Lake Jackson Office:
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Independent Auditor's Report

On Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable County Judge
and Members of Commissioners
Court of Matagorda 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 Matagorda County, Texas (the "County"), as of and for the year ended December 31, 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 June 22, 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. 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*.

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The Honorable County Judge
and Members of Commissioners
Court of Matagorda County, Texas

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.

Kennemer, Masters & Rungford, LLC

Lake Jackson, Texas
June 22, 2018

Kennemer, Masters & Lunsford

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Limited Liability Company

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Independent Auditor's Report
On Compliance for each Major Program and on Internal
Control over Compliance Required by the Uniform Guidance

The Honorable County Judge
and Members of Commissioners
Court of Matagorda County, Texas

Report on Compliance for Each Major State Program

We have audited Matagorda County, Texas' (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Matagorda County, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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Partnering for CPA Practice Success

The Honorable County Judge
and Members of Commissioners
Court of Matagorda County, Texas

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kennemer, Masters & Hunzford, LLC

Lake Jackson, Texas
June 22, 2018

MATAGORDA COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2017

Page 1 of 1

I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. No internal control findings required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None.
4. No internal control findings, that are required to be reported in this schedule, was disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with Uniform Guidance 2 CFR 200.516(a): No
7. Major programs include:
 - 15.668 Coastal Impact Assistance Program
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000.
9. Low Risk Auditee: Yes.

II. Findings related to the financial statements.

The audit disclosed no findings required to be reported.

III. Findings and questioned costs related to the federal award.

The audit disclosed no findings required to be reported.

MATAGORDA COUNTY, TEXAS
SCHEDULE OF STATUS OF PRIOR FINDINGS
Year Ended December 31, 2017

Page 1 of 1

None.

MATAGORDA COUNTY, TEXAS
CORRECTIVE ACTION PLAN
Year Ended December 31, 2017

None.

MATAGORDA COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2017

Exhibit 19
Page 1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Contract/ Program Number	Expenditures Indirect Costs or Award Amount
U.S. Department of Interior:			
Direct:			
Coastal Impact Assistance Program	15.668	F13AF00061-0001	\$ <u>796,346</u>
TOTAL U.S. DEPARTMENT OF INTERIOR			\$ <u><u>796,346</u></u>
U.S. General Services Administration:			
Passed Through Texas Facilities Commission:			
Donation of Federal Surplus Personal Property	39.003	42110	\$ <u>47,801</u>
TOTAL U.S. GENERAL SERVICES ADMINISTRATION			\$ <u><u>47,801</u></u>
U.S. Department of Housing and Urban Development:			
Direct:			
Community Development Block Grant	14.228	713082	\$ <u>252,740</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			\$ <u><u>252,740</u></u>
U.S. Department of Homeland Security:			
Passed Through Texas Department of Public Safety:			
Emergency Management Performance Grants	97.042	14-SR-48321-01	\$ 83,851
Hazard Mitigation Grant	97.039	DR-1791-323	195,792
Hazard Mitigation Grant	97.039	DR-1791-324	225
Homeland Security Grant Program	97.067	3361701	148,315
Homeland Security Grant Program	97.067	2961102	<u>34,105</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			\$ <u><u>462,288</u></u>
U.S. Department of Justice:			
Passed Through Texas Office of the Governor:			
Juvenile Justice and Delinquency Prevention	16.540	--	\$ 11,067
Crime Victim Assistance	16.575	--	42,113
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3267301	<u>37,400</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			\$ <u><u>90,580</u></u>
TOTAL FEDERAL ASSISTANCE			\$ <u><u>1,649,755</u></u>
TOTAL MAJOR PROGRAMS			\$ <u><u>796,346</u></u>
TYPE A PROGRAM			\$ <u><u>750,000</u></u>

MATAGORDA COUNTY, TEXAS

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS

Year Ended December 31, 2017

1. The County uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designated to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designated to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available resources. Funds are classified into two categories: governmental and fiduciary. Each category, in turn is divided into separate "fund types". The following fund types were utilized to account for federal awards.

Governmental Fund Types:

General Fund - is the general operating fund of the County. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund. Federal financial assistance not required to be reported in other funds is accounted for in the General Fund.

Special Revenue Funds - used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. Federal financial assistance generally is accounted for in a Special Revenue Fund unless required to be reported in a Capital Projects Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

Capital Projects Funds - used to account for financial resources to be used for the acquisition or construction of major capital facilities. Federal financial assistance for the construction of major capital facilities generally is accounted for in a Capital Projects Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Federal grant funds were accounted for in the General Fund, Special Revenue Fund, and the Capital Projects Fund, a component of the Governmental Fund type.

The modified accrual basis of accounting is used for the Governmental Fund Types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures/expenses made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

MATAGORDA COUNTY, TEXAS

NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS - Continued

Year Ended December 31, 2017

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.
4. Indirect Costs - The County received no reimbursements for indirect costs during the year ended December 31, 2017.
5. The County has elected to use the 10 percent de minimis indirect cost rate.