

COUNTY OF CROCKETT  
Annual Financial Report  
Year Ended December 31, 2016

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## FINANCIAL SECTION



A Limited Liability Partnership

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## INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge  
and Commissioners' Court  
County of Crockett  
P.O. Box 989  
Ozona, TX 76943-0989

### **Report on the Financial Statements**

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Crockett, Texas, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Section I., Note C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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. 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 County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Crockett, Texas, as of December 31, 2016, the respective changes in modified cash-basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

***Basis of Accounting***

We draw attention to Section I., Note C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

***Other Matters***

*Other Information*

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information for the Texas County & District Retirement System on pages 3 through 8, 35 through 37, and 38 through 39, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this 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.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Crockett's basic financial statements. The accompanying schedule of expenditures of state and federal awards is presented for purposes of additional analysis as required by the State of Texas Single Audit Circular of the Uniform Grant Management Standards, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of state and federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017, on our consideration of the County of Crockett'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 of Crockett's internal control over financial reporting and compliance.

*Eckert & Company, LLP*

June 26, 2017



# COUNTY OF CROCKETT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Crockett's financial performance provides an overview of the County's financial activities for the year ended December 31, 2016, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

### Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities and deferred inflows of resources at the end of the current year by \$27,330,062 (net position). Of this amount, \$13,704,195 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$3,323,997 or 14%. This amount consists of a \$3,189,507 increase attributable to current year operations and a \$134,490 increase attributable to prior period adjustments. The County's statement of activities shows total revenues of \$18,574,897 and total expenses of \$15,385,390.

The total fund balance of the General Fund is \$11,676,044 which is an increase of \$789,047 or 7% compared to the prior year.

### Overview of the Financial Statements

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**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 and liabilities/deferred inflows of resources resulting from the use of the modified cash basis of accounting, with the difference between the two 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services.

The County has no component units.

**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 two categories: governmental 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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet - modified cash basis and the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund, the Road and Bridge Fund, the Care Center Fund, the Construction - Jail Fund, and the Construction - Wellness Center Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund and Special Revenue Funds.

**Fiduciary Funds** - Fiduciary funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. 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 own programs.

**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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis**

**Net Position** - A summary of the County's net position is presented below:

NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	December 31,	
	2016	2015
Current and Other Assets	\$ 27,367,741	\$ 18,411,322
Capital Assets	14,832,753	10,267,668
Total Assets	\$ 42,200,494	\$ 28,678,990
Other Payables	\$ 165,408	\$ 351,478
Long-Term Liabilities	12,095,000	2,045,000
Total Liabilities	\$ 12,260,408	\$ 351,478
Deferred Inflows of Resources	\$ 2,610,024	\$ 2,276,447
Net Position		
Net Investment in Capital Assets	\$ 13,295,100	\$ 10,222,711
Restricted	330,767	304,231
Unrestricted	13,704,195	13,479,123
Total Net Position	\$ 27,330,062	\$ 24,006,065

A large portion of the County's net position resulting from modified cash basis transactions (\$13,295,100) reflects the County's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. 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. An additional portion of the County's net position (\$330,767) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$13,704,195) may be used to meet the County's ongoing obligations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**

**Government-Wide Financial Analysis - Continued**

**Governmental Activities** - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$3,189,507 and \$3,177,437 for the fiscal years ended December 31, 2016 and 2015, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	<u>Governmental Activities</u>	
	<u>Year Ended December 31,</u>	
	<u>2016</u>	<u>2015</u>
Revenues		
Program Revenues		
Charges for Services	\$ 3,593,229	\$ 3,823,996
Operating Grants and Contributions	512,652	294,442
Capital Grants and Contributions	1,618,418	605,462
General Revenues		
Property Taxes - Maintenance	12,661,542	12,590,469
Investment Earnings	147,502	55,314
Other Revenues	<u>41,554</u>	<u>27,694</u>
Total Revenues	<u>\$ 18,574,897</u>	<u>\$ 17,397,377</u>
Expenses		
General Government	\$ 3,105,451	\$ 2,631,473
Roads and Bridges	2,501,865	2,185,991
Justice System	1,335,563	1,285,641
Public Safety	1,602,581	1,459,817
Corrections and Rehabilitation	560,686	712,277
Public Health and Welfare	5,039,638	5,558,947
Culture and Recreation	1,070,689	947,789
Interest on Long-Term Debt	25,962	0
Fees on Long-Term Debt	<u>142,955</u>	<u>45,000</u>
Total Expenses	<u>\$ 15,385,390</u>	<u>\$ 14,826,935</u>
Change in Net Position Before Extraordinary Item	\$ 3,189,507	\$ 2,570,442
Extraordinary Item	<u>0</u>	<u>606,995</u>
Change in Net Position	\$ 3,189,507	\$ 3,177,437
Net Position - Beginning	24,006,065	20,889,917
Prior Period Adjustments	<u>134,490</u>	<u>(61,289)</u>
Net Position - Ending	<u><u>\$ 27,330,062</u></u>	<u><u>\$ 24,006,065</u></u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Financial Analysis of the County's Funds

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. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$24,592,309, an increase of 8,808,912 or 56% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$11,676,044. All of this balance is unassigned.

Special Revenue Funds \$2,376,793. Of this balance \$330,767 is restricted by legislation and \$2,046,026 is committed as follows:

Roads and Bridges	\$ 1,117,120
Health Service Center	673,448
Health Center Improvement	130,894
Courthouse Renovation	119,468
Library Memorial	2,458
Grant Fund	39
DARE Program	<u>2,599</u>
Total	<u>\$ 2,046,026</u>

Construction Funds \$10,557,346. All of this balance is restricted for construction as follows:

Jail Project	\$ 5,687,611
Wellness Center Project	3,766,648
Clinic Project	<u>1,103,087</u>
Total	<u>\$ 10,557,346</u>

Interest and Sinking Funds \$(17,874). The net balance of these funds is reported as unrestricted due to a net negative balance.

Jail Project Interest and Sinking	\$ 4,175
Wellness Center Project Interest and Sinking	3,870
Clinic Project Interest and Sinking	<u>(25,919)</u>
Total	<u>\$ (17,874)</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### General Fund Budget

The original budget for the General Fund was \$12,536,053, and the final amended budget was \$12,577,873 which represents a \$41,820 increase in appropriations. Variances between the original budget and the final amended budget are shown on page 35 in the other information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$10,841,721 for the fiscal year 2017, which is a decrease of \$1,736,152 from the fiscal year 2016.

### Capital Assets and Debt - Modified Cash Basis

**Capital Assets** - Financial statement footnote III., D. discloses the County's capital asset activity for the year ended December 31, 2016.

**Long-Term Debt** - Financial statement footnote III., F. discloses the County's debt activity for the year ended December 31, 2016.

### Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Fred M. Deaton, County Judge, County of Crockett, P.O. Box 1857, Ozona, TX 76943-1857.

Basic Financial Statements

COUNTY OF CROCKETT  
Statement of Net Position - Modified Cash Basis  
December 31, 2016

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 25,224,560
Due from Fiduciary Funds	1,576,615
Due from State	566,566
Capital Assets Not Being Depreciated:	
Land	218,470
Other Assets	310,000
Capital Assets (Net of Accumulated Depreciation):	
Buildings and Improvements	6,326,451
Infrastructure	1,107,641
Machinery and Equipment	1,955,539
Software	136,549
Construction In Progress	4,778,103
	<u>\$ 42,200,494</u>
<u>LIABILITIES</u>	
Payroll Liabilities	\$ 101,945
Due to State	63,463
Long-Term Liabilities:	
Due Within One Year	2,195,000
Due in More Than One Year	9,900,000
	<u>\$ 12,260,408</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Taxes	<u>\$ 2,610,024</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 13,295,100
Restricted:	
Legislation	330,767
Unrestricted	13,704,195
	<u>\$ 27,330,062</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT  
Statement of Activities - Modified Cash Basis  
Year Ended December 31, 2016

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	\$ 3,105,451	\$ 259,765	\$ 261,477	\$ 0	\$ (2,584,209)
Roads and Bridges	2,501,865	292,982	67,529	1,418,418	(722,936)
Justice System	1,335,563	814,358	34,144	0	(487,061)
Public Safety	1,602,581	5,330	93,939	200,000	(1,303,312)
Corrections and Rehabilitation	560,686	0	0	0	(560,686)
Public Health and Welfare	5,039,638	2,220,794	55,563	0	(2,763,281)
Culture and Recreation	1,070,689	0	0	0	(1,070,689)
Interest on Long-Term Debt	25,962	0	0	0	(25,962)
Fees on Long-Term Debt	142,955	0	0	0	(142,955)
<b>Total Governmental Activities</b>	<b>\$ 15,385,390</b>	<b>\$ 3,593,229</b>	<b>\$ 512,652</b>	<b>\$ 1,618,418</b>	<b>\$ (9,661,091)</b>
General Revenues:					
Property Taxes - Maintenance and Operations					\$ 12,661,542
Investment Earnings					147,502
Miscellaneous					41,554
					\$ 12,850,598
					\$ 3,189,507
					24,006,065
					134,490
					\$ 27,330,062

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT  
Balance Sheet - Modified Cash Basis  
Governmental Funds  
December 31, 2016

	General	Road and Bridge	Care Center	Construction - Jail	Construction - Wellness Center	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 12,319,131	\$ 1,323,446	\$ 0	\$ 5,697,779	\$ 3,766,648	\$ 2,117,556	\$ 25,224,560
Due from State	15,366	0	0	0	0	551,200	566,566
Due from Other Funds	1,187,430	208,962	0	0	0	256,147	1,652,539
<b>Total</b>	<b>\$ 13,521,927</b>	<b>\$ 1,532,408</b>	<b>\$ 0</b>	<b>\$ 5,697,779</b>	<b>\$ 3,766,648</b>	<b>\$ 2,924,903</b>	<b>\$ 27,443,665</b>
<b>LIABILITIES</b>							
Due to State	\$ 63,463	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,463
Due to Other Funds	0	0	0	10,168	0	65,756	75,924
Payroll Liabilities	101,945	0	0	0	0	0	101,945
<b>Total Liabilities</b>	<b>\$ 165,408</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 10,168</b>	<b>\$ 0</b>	<b>\$ 65,756</b>	<b>\$ 241,332</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Taxes	1,680,475	415,288	0	0	0	514,261	2,610,024
<b>Total</b>	<b>\$ 1,845,883</b>	<b>\$ 415,288</b>	<b>\$ 0</b>	<b>\$ 10,168</b>	<b>\$ 0</b>	<b>\$ 580,017</b>	<b>\$ 2,851,356</b>
<b>FUND BALANCES</b>							
Restricted for:							
Special Revenue Funds	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 330,767	\$ 330,767
Construction	0	0	0	5,687,611	3,766,648	1,103,087	10,557,346
Committed Reported in:							
Special Revenue Funds	0	1,117,120	0	0	0	928,906	2,046,026
Unassigned, Reported in:							
General Fund	11,676,044	0	0	0	0	0	11,676,044
Interest and Sinking Funds	0	0	0	0	0	(17,874)	(17,874)
<b>Total Fund Balances</b>	<b>\$ 11,676,044</b>	<b>\$ 1,117,120</b>	<b>\$ 0</b>	<b>\$ 5,687,611</b>	<b>\$ 3,766,648</b>	<b>\$ 2,344,886</b>	<b>\$ 24,592,309</b>
<b>Total</b>	<b>\$ 13,521,927</b>	<b>\$ 1,532,408</b>	<b>\$ 0</b>	<b>\$ 5,697,779</b>	<b>\$ 3,766,648</b>	<b>\$ 2,924,903</b>	<b>\$ 27,443,665</b>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT  
 Reconciliation of the Governmental Funds Balance Sheet to the  
 Statement of Net Position - Modified Cash Basis  
 December 31, 2016

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 24,592,309</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.	10,267,668
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The net effect of including the beginning balances of long-term debt is to decrease net position.	(2,045,000)
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	5,290,675
The net effect of other various miscellaneous adjustments related to capital assets (i.e., sales, trades, and disposals) is to decrease net position.	(6,262)
Debt proceeds are shown as other financing sources in the fund financial statements. The net effect of reclassifying the proceeds is to decrease net position.	(10,050,000)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	<u>(719,328)</u>
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 27,330,062</u></u></b>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Modified Cash Basis  
Governmental Funds  
Year Ended December 31, 2016

	General	Road and Bridge	Care Center	Construction - Jail	Construction - Wellness Center	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 10,691,625	\$ 1,969,917	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,661,542
Fees and Fines	1,030,489	292,982	1,864,022	0	0	405,736	3,593,229
Intergovernmental	445,207	80,913	0	0	0	1,604,950	2,131,070
Interest	89,764	10,084	0	24,246	16,357	7,051	147,502
Miscellaneous	979	0	1,980	0	0	24,595	27,554
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	\$ 12,258,064	\$ 2,353,896	\$ 1,866,002	\$ 24,246	\$ 16,357	\$ 2,042,332	\$ 18,560,897
<b>EXPENDITURES</b>							
Current:							
General Government	\$ 2,860,043	\$ 84,053	\$ 0	\$ 0	\$ 0	\$ 226,025	\$ 3,170,121
Roads and Bridges	0	2,074,693	0	0	0	1,769,636	3,844,329
Justice System	1,324,569	0	0	0	0	15,319	1,339,888
Public Safety	1,998,686	0	0	0	0	1,975	2,000,661
Corrections and Rehabilitation	557,486	0	0	303,830	0	0	861,316
Public Health and Welfare	659,297	0	3,956,092	0	189,959	2,691,369	7,496,717
Culture and Recreation	1,037,267	0	0	0	0	23,521	1,060,788
Debt Service	0	0	0	0	0	26,362	26,362
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	\$ 8,437,348	\$ 2,158,746	\$ 3,956,092	\$ 303,830	\$ 189,959	\$ 4,754,207	\$ 19,800,182
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 3,820,716	\$ 195,150	\$ (2,090,090)	\$ (279,584)	\$ (173,602)	\$ (2,711,875)	\$ (1,239,285)

OTHER FINANCING SOURCES (USES)

Tax Notes Proceeds	\$ 0	\$ 0	\$ 0	\$ 6,050,000	\$ 4,000,000	\$ 0	\$ 10,050,000
Transfers In	24,175	234,279	2,091,253	0	0	1,435,379	3,785,086
Transfers Out	(3,173,738)	(231,383)	0	0	0	(379,965)	(3,785,086)
Debt Issuance Costs	0	0	0	(82,805)	(59,750)	0	(142,555)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>(82,805)</u>	<u>(59,750)</u>	<u>0</u>	<u>(142,555)</u>
Total Other Financing Sources (Uses)	\$ (3,149,563)	\$ 2,896	\$ 2,091,253	\$ 5,967,195	\$ 3,940,250	\$ 1,055,414	\$ 9,907,445
Net Change in Fund Balances	\$ 671,153	\$ 198,046	\$ 1,163	\$ 5,687,611	\$ 3,766,648	\$ (1,656,461)	\$ 8,668,160
Fund Balances - Beginning	10,886,997	895,053	0	0	0	4,001,347	15,783,397
Prior Period Adjustments	117,894	24,021	(1,163)	0	0	0	140,752
	<u>117,894</u>	<u>24,021</u>	<u>(1,163)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>140,752</u>
Fund Balances - Ending	<u>\$ 11,676,044</u>	<u>\$ 1,117,120</u>	<u>\$ 0</u>	<u>\$ 5,687,611</u>	<u>\$ 3,766,648</u>	<u>\$ 2,344,886</u>	<u>\$ 24,592,309</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and  
Changes in Fund Balances to the Statement of Activities - Modified Cash Basis  
Year Ended December 31, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 8,668,160
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net position.	5,290,675
Debt proceeds are shown as other financing sources in the fund financial statements. The net effect of reclassifying the proceeds is to decrease net position.	(10,050,000)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	<u>(719,328)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ 3,189,507</u></u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT  
Statement of Fiduciary Net Position - Modified Cash Basis  
Fiduciary Funds  
December 31, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	<u>\$ 4,298,919</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 1,576,615
Due to Other Governments	1,355,853
Due to Others	<u>1,366,451</u>
Total Liabilities	<u>\$ 4,298,919</u>

The accompanying notes are an integral part of this financial statement.

COUNTY OF CROCKETT  
Notes to the Financial Statements  
December 31, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Crockett, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**A. Reporting Entity**

The County of Crockett, Texas, was organized by an Act of the Texas Legislature in 1891. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services. There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

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

**A. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

**Basis of Accounting**

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental funds:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Road and Bridge Fund - This Fund is a special revenue fund and is used to account for revenues for the road and bridge precincts.

Care Center Fund - This Fund is a special revenue fund and is used to account for revenues for the Care Center.

Construction - Jail Fund - This Fund accounts for proceeds from the issuance of general obligation bonds and other revenues to be used for authorized construction

Construction - Wellness Center Fund - This Fund accounts for proceeds from the issuance of general obligation bonds and other revenues to be used for authorized construction.

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

**D. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Capital Assets**

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	20-30
Buildings and Improvements	30-40
Machinery and Equipment	5-10

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

**F. Long-Term Debt**

Long-term debt arising from modified cash basis transactions to be repaid from governmental resources is reported as liabilities in the government-wide financial statements.

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

**G. Compensated Absences**

County employees are entitled to paid time off and sick leave based on their length of employment. Paid time off (PTO) can accumulate up to twenty-three to thirty-three days based on their length of employment. PTO does not accumulate or vest. Employees can accumulate up to sixty days of sick leave, but it does not vest. Sick leave earned past the sixty days is converted to PTO at a rate of 2 to 1. Employees are not paid for unused PTO or sick leave upon separation from service.

**H. Net Position on the Statement of Net Position**

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds that is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted by Legislation - This component of net position represents the difference between assets and liabilities of certain Special Revenue Funds that consists of assets with constraints placed on their use by state legislation.

Unrestricted - This is the difference between assets and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets or Restricted by Legislation.

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**I. Fund Balances**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioners' Court has provided otherwise in its commitment or assignment actions.

**J. Property Tax Revenues**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are recognized as revenues when they are collected and available for use.

**K. Interfund Transfers**

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund and Special Revenue Funds are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued**

**B. Excess Expenditures Over Appropriations**

The County expended more than budgeted as reported on pages 35 through 36.

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

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

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

**Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the County's name.

**Concentration of Credit Risk:** The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The County is not exposed to this risk as described in the preceding paragraph.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At December 31, 2016, the County was not significantly exposed to credit risk.

**Interest Rate Risk:** Not applicable

**Foreign Currency Risk:** Not applicable

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**B. Interfund Receivables, Payables, and Transfers**

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Major Construction - Jail Fund	\$ 10,168	\$ 0	Operating Loan
Nonmajor Governmental Funds	65,756	0	Operating Loan
Fiduciary Funds	1,111,506	0	Unremitted Fees and Taxes
	<u>\$ 1,187,430</u>	<u>\$ 0</u>	
Road and Bridge Fund			
Fiduciary Funds	\$ 208,962	\$ 0	Unremitted Fees and Taxes
Major Construction - Jail Fund			
General Fund	\$ 0	\$ 10,168	Operating Loan
Nonmajor Governmental Funds			
General Fund	\$ 0	\$ 65,756	Operating Loan
Fiduciary Funds	256,147	0	Unremitted Fees and Taxes
	<u>\$ 256,147</u>	<u>\$ 65,756</u>	
Fiduciary Funds			
General Fund	\$ 0	\$ 1,111,506	Unremitted Fees and Taxes
Road and Bridge Fund	0	208,962	Unremitted Fees and Taxes
Nonmajor Governmental Funds	0	256,147	Unremitted Fees and Taxes
	<u>\$ 0</u>	<u>\$ 1,576,615</u>	
Totals	<u>\$ 1,652,539</u>	<u>\$ 1,652,539</u>	

All amounts due are expected to be repaid within one year.

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Care Center Fund	\$ 2,091,253	Current Operations
General Fund	Nonmajor Governmental Funds	1,082,485	Current Operations
Road and Bridge Fund	Nonmajor Governmental Funds	231,383	Current Operations
Nonmajor Governmental Funds	General Fund	24,175	Current Operations
Nonmajor Governmental Funds	Road and Bridge Fund	234,279	Current Operations
Nonmajor Governmental Funds	Nonmajor Governmental Funds	121,511	Current Operations
Total		<u>\$ 3,785,086</u>	

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**C. Due from Other Governments**

The County participates in various grant programs. Amounts due from the State for these programs are summarized as follows:

County Transportation Infrastructure Fund	\$ 551,200
Homeland Security -Interoperability Grant	<u>15,366</u>
Total	<u><u>\$ 566,566</u></u>

**D. Capital Assets**

Capital asset activity for the year ended December 31, 2016, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 218,470	\$ 0	\$ 0	\$ 218,470
Other	<u>310,000</u>	<u>0</u>	<u>0</u>	<u>310,000</u>
Total Capital Assets Not Being Depreciated	<u>\$ 528,470</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 528,470</u>
Capital Assets Being Depreciated				
Buildings and Improvements	\$ 6,818,397	\$ 2,012,629	\$ 0	\$ 8,831,026
Infrastructure	3,266,340	0	0	3,266,340
Machinery and Equipment	7,017,692	691,556	(82,606)	7,626,642
Software	38,800	118,002	0	156,802
Construction in Progress	<u>2,309,615</u>	<u>3,893,763</u>	<u>(1,425,275)</u>	<u>4,778,103</u>
Total Capital Assets Being Depreciated	<u>\$ 19,450,844</u>	<u>\$ 6,715,950</u>	<u>\$ (1,507,881)</u>	<u>\$ 24,658,913</u>
Total Capital Assets	<u>\$ 19,979,314</u>	<u>\$ 10,727,715</u>	<u>\$ (2,933,156)</u>	<u>\$ 25,187,383</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (2,274,017)	\$ (230,558)	\$ 0	\$ (2,504,575)
Infrastructure	(2,103,117)	(55,582)	0	(2,158,699)
Machinery and Equipment	(5,340,774)	(412,935)	82,606	(5,671,103)
Software	<u>0</u>	<u>(20,253)</u>	<u>0</u>	<u>(20,253)</u>
Total Accumulated Depreciation	<u>\$ (9,717,908)</u>	<u>\$ (719,328)</u>	<u>\$ 82,606</u>	<u>\$ (10,354,630)</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 10,261,406</u></u>	<u><u>\$ 10,008,387</u></u>	<u><u>\$ (2,850,550)</u></u>	<u><u>\$ 14,832,753</u></u>

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**D. Capital Assets - Continued**

Depreciation expense was charged to governmental activities programs as follows:

General Government	\$ 142,144
Roads and Bridges	179,530
Justice System	10,407
Public Safety	194,863
Corrections and Rehabilitation	3,200
Public Health and Welfare	119,419
Culture and Recreation	<u>69,765</u>
Total	<u>\$ 719,328</u>

**E. Deferred Inflows of Resources**

The statement of net position and the balance sheet report a separate section for deferred inflows of resources. This financial statement element represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category, ad valorem taxes, which were collected in the current year but will be used to fund the following year's budget.

**F. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended December 31, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds - 2016A	\$ 0	\$ 6,050,000	\$ 0	\$ 6,050,000	\$ 1,131,000
General Obligation Bonds - 2016B	0	4,000,000	0	4,000,000	740,000
Tax Note	<u>2,045,000</u>	<u>0</u>	<u>0</u>	<u>2,045,000</u>	<u>324,000</u>
Totals	<u>\$ 2,045,000</u>	<u>\$ 10,050,000</u>	<u>\$ 0</u>	<u>\$ 12,095,000</u>	<u>\$ 2,195,000</u>

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**F. Long-Term Debt - Continued**

The County's outstanding bond issues are as follows:

Crockett County, Texas, General Obligation Bonds, Series 2016A. Issued to pay for the construction and equipping of a new County Jail in the original amount of \$6,050,000. Due in variable installments through February 2021, with an interest rate of 1.75%.	\$ 6,050,000
Crockett County, Texas, General Obligation Bonds, Series 2016B. Issued to pay for the construction and equipping of a County Wellness Center in the original amount of \$4,000,000. Due in variable installments through February 2021, with an interest rate of 1.97%.	<u>4,000,000</u>
Total Bonds Payable	<u><u>\$ 10,050,000</u></u>

The County's outstanding tax note issue is as follows:

Crockett County, Texas, Tax Note, Series 2015. Issued to construct and equip a new County health clinic and pay costs of issuance related to the Tax Note in the original amount of \$2,045,000. Due in variable installments through February 15, 2022, with an interest rate of 1.97%.	<u><u>\$ 2,045,000</u></u>
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The combined annual debt service requirements are as follows:

Year Ending December 31,	General Obligation Bonds - 2016A		General Obligation Bonds - 2016B		Tax Note		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 1,131,000	\$ 142,152	\$ 740,000	\$ 105,877	\$ 324,000	\$ 37,095	\$ 2,480,124
2018	1,198,000	75,600	791,000	56,431	331,000	30,643	2,482,674
2019	1,219,000	54,451	807,000	40,690	337,000	24,064	2,482,205
2020	1,240,000	32,935	823,000	24,635	344,000	17,356	2,481,926
2021	1,262,000	11,043	839,000	8,264	351,000	10,510	2,481,817
2022	0	0	0	0	358,000	3,526	361,526
Totals	\$ 6,050,000	\$ 316,181	\$ 4,000,000	\$ 235,897	\$ 2,045,000	\$ 123,194	\$ 12,770,272

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**IV. OTHER INFORMATION**

**A. Defined Benefit Pension Plan**

**Plan Description** - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County & 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 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at [www.tcdrs.org](http://www.tcdrs.org). TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

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 ages 60 and above with 10 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 80 or more. Members are vested after 10 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**Funding Policy** - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. It was 10.51% for calendar year 2016.

The deposit rate payable by the employee members for calendar year 2016 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**Actuarial Assumptions** - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2015 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2015 Summary Valuation Report for further details.

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

Following are the key assumptions and methods used in this GASB analysis:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal <sup>(1)</sup>
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.1%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on the gender-distinct RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year setback for females. Service retirees, beneficiaries, and non-depositing members are based on the RP-2000 Combined Mortality Table with a one-year set-forward for males and no age adjustment for females. Disabled retirees are based on the gender-distinct RP-2000 Disabled Mortality Table with no age adjustment for males and a two-year set-forward for females. The rates are projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

<sup>(1)</sup> Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

Note 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.

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

<sup>(1)</sup> Target asset allocation adopted at the April 2016 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return in addition to assumed inflation of 1.6% per 2016 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Depletion of Plan Assets/GASB Discount Rate** - The discount rate is the single rate of return that, when applied to all projected benefit payments 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 included 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 this 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 date, 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.

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability 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 8.1%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

**Changes in Net Pension Liability/(Asset)** - The following presents the increases/(decreases) in net pension liability/(asset):

<u>Changes in the Net Pension Liability/(Asset)</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Fiduciary Net Position (b)</u>	<u>Net Pension Liability/(Asset) (a) - (b)</u>
Balance as of December 31, 2014	\$ 24,601,977	\$ 22,905,705	\$ 1,696,272
Changes for the Year:			
Service Cost	\$ 626,667	\$ 0	\$ 626,667
Interest on Total Pension Liability <sup>(1)</sup>	1,964,819	0	1,964,819
Effect of Plan Changes <sup>(2)</sup>	(82,895)	0	(82,895)
Effect of Economic/Demographic Gains or Losses	31,204	0	31,204
Effect of Assumptions Changes or Inputs	317,438	0	317,438
Refund of Contributions	(112,977)	(112,977)	0
Benefit Payments	(1,451,824)	(1,451,824)	0
Administrative Expenses	0	(16,360)	16,360
Member Contributions	0	395,156	(395,156)
Net Investment Income	0	116,517	(116,517)
Employer Contributions	0	575,797	(575,797)
Other <sup>(3)</sup>	0	170,093	(170,093)
<b>Net Changes</b>	<u>\$ 1,292,432</u>	<u>\$ (323,598)</u>	<u>\$ 1,616,030</u>
Balance as of December 31, 2015	<u>\$ 25,894,409</u>	<u>\$ 22,582,107</u>	<u>\$ 3,312,302</u>

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

<sup>(2)</sup> Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018.

<sup>(3)</sup> Relates to allocation of system-wide items.

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Sensitivity Analysis** - The following presents the net pension liability/(asset) of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate.

	<u>1% Decrease in Discount Rate (7.1%)</u>	<u>Current Discount Rate (8.1%)</u>	<u>1% Increase in Discount Rate (9.1%)</u>
Total Pension Liability	\$ 28,682,916	\$ 25,894,409	\$ 23,532,206
Fiduciary Net Position	<u>22,582,107</u>	<u>22,582,107</u>	<u>22,582,107</u>
Net Pension Liability/(Asset)	<u>\$ 6,100,809</u>	<u>\$ 3,312,302</u>	<u>\$ 950,099</u>

**Pension Expense/Income** - The following presents the components of pension expense/income:

<u>Pension Expense (Income)</u>	<u>January 1, 2015 to December 31, 2015</u>
Service Cost	\$ 626,667
Interest on Total Pension Liability <sup>(1)</sup>	1,964,819
Effect of Plan Changes	(82,895)
Administrative Expenses	16,360
Member Contributions	(395,156)
Expected Investment Return Net of Investment Expenses	(1,854,245)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	19,509
Recognition of Assumption Changes or Inputs	105,813
Recognition of Investment Gains or Losses	401,578
Other <sup>(2)</sup>	<u>(170,093)</u>
Total Pension Expense (Income)	<u>\$ 632,357</u>

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

<sup>(2)</sup> Relates to allocation of system-wide items.

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Deferred Inflows/Deferred Outflows of Resources** -As of December 31, 2015, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 29,910
Changes in Assumptions	-	211,625
Net Differences Between Projected and Actual Earnings	-	1,552,279
Contributions Made Subsequent to Measurement Date <sup>(3)</sup>	<u>-</u>	<u>619,547</u>
Totals	<u>\$ -</u>	<u>\$ 2,413,361</u>

(3) Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year-end should be reflected as outlined in Appendix D of the TCDRS GASB 68 Report.

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 expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2016	\$ 526,899
2017	517,792
2018	401,578
2019	347,545
2020	0
Thereafter <sup>(4)</sup>	0

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

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Schedule of Deferred Inflows and Outflows of Resources** - The following presents the components of deferred inflows and outflows of resources:

	Original Amount	Date Established	Original Recognition Period <sup>(1)</sup>	Amount Recognized in 12/31/15 Expense <sup>(1)</sup>	Balance of Deferred Inflows 12/31/15	Balance of Deferred Outflows 12/31/15
Investment (Gains) or Losses						
	\$ 1,737,728	12/31/15	5	\$ 347,546	-	\$ 1,390,182
	270,161	12/31/14	5	54,032	-	162,096
Economic/Demographic (Gains) or Losses						
	31,204	12/31/15	3	10,401	-	20,803
	27,323	12/31/14	3	9,108	-	9,108
Assumption Changes or Inputs						
	317,438	12/31/15	3	105,813	-	211,625
	-	12/31/14	3	-	-	-
Employer Contributions Made Subsequent to Measurement Date <sup>(2)</sup>						619,547

<sup>(1)</sup> Investment (gains)/losses are recognized in pension expense over a period of five years; economic/ demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.

<sup>(2)</sup> Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of the TCDRS GASB 68 Report.

The net pension liability/(asset), deferred resource inflows, and deferred resource outflows related to the pension liability/(asset) are reported in the notes to the financial statements. Due to the County's reporting on the OCBOA - modified cash basis, these items are not reflected in the financial statements.

**B. Self-Insurance**

The County has entered into an interlocal participation agreement with the Texas Association of Counties Workers' Compensation Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other county-related political subdivisions of the State of Texas that was created to provide workers' compensation benefits for its members pursuant to the provisions of Article 8309h, Texas Revised Civil Statutes Annotated. The Fund provides for the self-insurance of certain defined risks jointly among the Fund members. The Fund is required to provide stop-loss coverage; however, the amount of this coverage may be adjusted at the discretion of the Fund's Board of Trustees. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid into the Fund. The County made contributions to the Fund based upon its standard annual premium which was computed using the Texas State Board of Insurance workers' compensation rates and adjusted by the County's

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**IV. OTHER INFORMATION** - Continued

**B. Self-Insurance** - Continued

experience modifier. Contributions are adjusted annually based upon the County's experience modifier; however, contributions are subject to adjustments on an interim basis if such adjustments are the result of changes mandated by state law.

The County has entered into an interlocal participation agreement with the Texas Association of Counties County Government Risk Management Pool (the Pool). The Pool is an unincorporated association of counties that was created to provide liability coverage to its members pursuant to the provisions of Article 4413 (32i), Texas Revised Civil Statutes Annotated. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The Pool provides stop-loss coverage at the discretion of the Pool's Board of Trustees. The County made contributions to the Pool based upon a rating system approved by the Pool's Board of Trustees. Contributions are adjusted annually based upon the County's loss experience; however, the Pool has the right to impose a surcharge for any year in which the County's loss experience is higher than was projected in the rating system. The County's participation in the Pool provides coverage for public officials' liability, and law enforcement liability.

The County has coverage through Travelers Companies for property, auto damage and liability, crime, and general liability.

**C. Adjustments to Net Position/Fund Balance**

The financial statements reflect the following prior period adjustments:

	Net Position Statement of Activities	Fund Balances Governmental Funds
General Fund		
Refund of Prior Year's Expenses	<u>\$ 117,894</u>	<u>\$ 117,894</u>
Major Road and Bridge Fund		
Refund of Prior Year's Expenses	<u>\$ 24,021</u>	<u>\$ 24,021</u>
Major Care Center Fund		
Refund of Prior Year's Overpayment	\$ (23,613)	\$ (23,613)
Adjust to Prior Year's Payable	<u>22,450</u>	<u>22,450</u>
Total Major Care Center Fund	\$ (1,163)	\$ (1,163)
Governmental Activities		
Adjustment to Prior Year's Depreciation	<u>\$ (6,262)</u>	<u>\$ 0</u>
Totals	<u>\$ 134,490</u>	<u>\$ 140,752</u>

COUNTY OF CROCKETT  
Notes to the Financial Statements - Continued  
December 31, 2016

**IV. OTHER INFORMATION - Continued**

**D. Deficit Fund Equity**

The County has a net deficit fund balance in the Interest and Sinking Funds of \$17,874. The components of this balance are as follows:

Jail Project Interest and Sinking	\$ 4,175
Wellness Center Project Interest and Sinking	3,870
Clinic Project Interest and Sinking	<u>(25,919)</u>
Total	<u>\$ (17,874)</u>

**E. Commitments**

The County has entered into multiple contracts for various construction projects. These projects are to be paid from the Construction Funds for the Wellness Center Project, Jail Project, and Clinic Project. The balances to be expended in these funds are \$3,766,648, \$5,687,611, and \$1,103,087, respectively.

**F. Contingencies**

The County participates in medical reimbursement programs for Care Center patients which are governed by various rules and regulations of the administering agencies. These reimbursement programs are subject to audit and adjustment by the administering agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the programs, refunds of any money received may be required. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective programs; therefore, no provision has been recorded in the financial statements for such contingencies.

**G. Subsequent Events**

The County's management has evaluated subsequent events through June 26, 2017, the date which the financial statements were available for issue.

Other Information

COUNTY OF CROCKETT  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Modified Cash Basis - Budget and Actual  
General Fund  
Year Ended December 31, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 10,555,000	\$ 10,555,000	\$ 10,691,625	\$ 136,625
Fees and Fines	1,089,155	1,089,155	1,030,489	(58,666)
Intergovernmental	48,000	48,000	445,207	397,207
Interest	30,000	30,000	89,764	59,764
Miscellaneous	20,000	20,000	979	(19,021)
<b>Total Revenues</b>	<b>\$ 11,742,155</b>	<b>\$ 11,742,155</b>	<b>\$ 12,258,064</b>	<b>\$ 515,909</b>
<b>EXPENDITURES</b>				
Current:				
General Government	\$ 3,632,735	\$ 3,618,717	\$ 2,860,043	\$ 758,674
Justice System	1,462,166	1,462,166	1,324,569	137,597
Public Safety	1,743,229	1,752,045	1,998,686	(246,641)
Corrections and Rehabilitation	587,351	586,329	557,486	28,843
Public Health and Welfare	728,797	769,057	659,297	109,760
Culture and Recreation	1,260,666	1,268,450	1,037,267	231,183
<b>Total Expenditures</b>	<b>\$ 9,414,944</b>	<b>\$ 9,456,764</b>	<b>\$ 8,437,348</b>	<b>\$ 1,019,416</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>\$ 2,327,211</b>	<b>\$ 2,285,391</b>	<b>\$ 3,820,716</b>	<b>\$ 1,535,325</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 0	\$ 0	\$ 24,175	\$ (24,175)
Transfers Out	(3,121,109)	(3,121,109)	(3,173,738)	(52,629)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (3,121,109)</b>	<b>\$ (3,121,109)</b>	<b>\$ (3,149,563)</b>	<b>\$ (76,804)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (793,898)</b>	<b>\$ (835,718)</b>	<b>\$ 671,153</b>	<b>\$ 1,458,521</b>
Fund Balances - Beginning	10,886,997	10,886,997	10,886,997	0
Prior Period Adjustment	0	0	117,894	117,894
<b>Fund Balances - Ending</b>	<b>\$ 10,093,099</b>	<b>\$ 10,051,279</b>	<b>\$ 11,676,044</b>	<b>\$ 1,576,415</b>

COUNTY OF CROCKETT  
Statement of Revenues, Expenditures, and Changes in Fund Balance -  
Modified Cash Basis - Budget and Actual  
Road and Bridge Fund  
Year Ended December 31, 2016

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b><u>REVENUES</u></b>				
Taxes	\$ 1,959,331	\$ 1,959,331	\$ 1,969,917	\$ 10,586
Fees and Fines	320,000	320,000	292,982	(27,018)
Intergovernmental	24,000	24,000	80,913	56,913
Interest	10,000	10,000	10,084	84
Miscellaneous	6,000	6,000	0	(6,000)
Total Revenues	<u>\$ 2,319,331</u>	<u>\$ 2,319,331</u>	<u>\$ 2,353,896</u>	<u>\$ 34,565</u>
<b><u>EXPENDITURES</u></b>				
Current:				
General	\$ 84,053	\$ 84,053	\$ 84,053	\$ 0
Roads and Bridges	2,663,946	2,663,946	2,074,693	589,253
Total Expenditures	<u>\$ 2,747,999</u>	<u>\$ 2,747,999</u>	<u>\$ 2,158,746</u>	<u>\$ 589,253</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (428,668)</u>	<u>\$ (428,668)</u>	<u>\$ 195,150</u>	<u>\$ 623,818</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	\$ 0	\$ 0	\$ 234,279	\$ 234,279
Transfers Out	0	0	(231,383)	(231,383)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,896</u>	<u>\$ 2,896</u>
Net Change in Fund Balance	\$ (428,668)	\$ (428,668)	\$ 198,046	\$ 626,714
Fund Balances - Beginning	895,053	895,053	895,053	0
Prior Period Adjustment	0	0	24,021	24,021
Fund Balances - Ending	<u>\$ 466,385</u>	<u>\$ 466,385</u>	<u>\$ 1,117,120</u>	<u>\$ 650,735</u>

COUNTY OF CROCKETT  
 Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Modified Cash Basis - Budget and Actual  
 Care Center Fund  
 Year Ended December 31, 2016

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Fees and Fines	\$ 2,040,500	\$ 2,040,500	\$ 1,864,022	\$ (176,478)
Intergovernmental	300,000	300,000	0	(300,000)
Miscellaneous	3,000	3,000	1,980	(1,020)
	<u>3,000</u>	<u>3,000</u>	<u>1,980</u>	<u>(1,020)</u>
Total Revenues	\$ 2,343,500	\$ 2,343,500	\$ 1,866,002	\$ (477,498)
<u>EXPENDITURES</u>				
Current:				
Public Health and Welfare	<u>4,352,454</u>	<u>4,352,454</u>	<u>3,956,092</u>	<u>396,362</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (2,008,954)	\$ (2,008,954)	\$ (2,090,090)	\$ (81,136)
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	<u>2,012,954</u>	<u>2,012,954</u>	<u>2,091,253</u>	<u>78,299</u>
Net Change in Fund Balance	\$ 4,000	\$ 4,000	\$ 1,163	\$ (2,837)
Fund Balances - Beginning	0	0	0	0
Prior Period Adjustment	<u>0</u>	<u>0</u>	<u>(1,163)</u>	<u>(1,163)</u>
Fund Balances - Ending	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 0</u>	<u>\$ (4,000)</u>

COUNTY OF CROCKETT  
Schedule of Changes in Net Pension Liability and Related Ratios -  
Texas County & District Retirement System  
Year Ended December 31, 2016

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Total Pension Liability		
Service Cost	\$ 626,667	\$ 645,681
Interest on Total Pension Liability	1,964,819	1,867,998
Effect of Plan Changes	(82,895)	0
Effect of Assumptions Changes or Inputs	317,438	0
Effect of Economic/Demographic (Gains) or Losses	31,204	27,323
Benefit Payments/Refunds of Contributions	<u>(1,564,801)</u>	<u>(1,342,214)</u>
Net Change in Total Pension Liability	\$ 1,292,432	\$ 1,198,788
Total Pension Liability, Beginning	<u>24,601,977</u>	<u>23,403,189</u>
Total Pension Liability, Ending	<u>\$ 25,894,409</u>	<u>\$ 24,601,977</u>
Fiduciary Net Position		
Employer Contributions	\$ 575,797	\$ 590,952
Member Contributions	395,156	390,739
Investment Income Net of Investment Expenses	116,517	1,493,032
Benefit Payments/Refunds of Contributions	(1,564,801)	(1,342,214)
Administrative Expenses	(16,360)	(17,172)
Other	<u>170,093</u>	<u>96,892</u>
Net Change in Fiduciary Net Position	\$ (323,598)	\$ 1,212,229
Fiduciary Net Position, Beginning	<u>22,905,705</u>	<u>21,693,476</u>
Fiduciary Net Position, Ending	<u>\$ 22,582,107</u>	<u>\$ 22,905,705</u>
Net Pension Liability/(Asset), Ending	<u>\$ 3,312,302</u>	<u>\$ 1,696,272</u>
Fiduciary Net Position as a % of Total Pension Liability	87.21%	93.11%
Pensionable Covered Payroll	\$ 5,645,080	\$ 5,581,985
Net Pension Liability as a % of Covered Payroll	58.68%	30.39%

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required; therefore, only the years for which the new GASB statements have been implemented are shown. The data in this schedule is presented for the time period covered by the measurement date as opposed to the County's fiscal year.

COUNTY OF CROCKETT  
 Schedule of Employer Contributions -  
 Texas County & District Retirement System  
 Year Ended December 31, 2016

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll<sup>(1)</sup></u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 590,952	\$ 590,952	\$ 0	\$ 5,581,985	10.6%
2015	575,797	575,797	0	5,645,080	10.2%

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

This schedule is presented to illustrate the requirement to show information for ten years. However, recalculations of prior years are not required; therefore, only the years for which the new GASB statements have been implemented are shown. The data in this schedule is presented for the time period covered by the County's fiscal year as opposed to the time period covered by the measurement date.

COUNTY OF CROCKETT  
Notes to the Other Information  
December 31, 2016

Note A - Net Pension Liability

Changes in Benefit Terms

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

Changes of Assumptions

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal <sup>(1)</sup>
Amortization Method	
Recognition of Economic/ Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.1%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on the gender-distinct RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year setback for females. Service retirees, beneficiaries, and non-depositing members are based on the RP-2000 Combined Mortality Table with a one-year set-forward for males and no age adjustment for females. Disabled retirees are based on the gender-distinct RP-2000 Disabled Mortality Table with no age adjustment for males and a two-year set-forward for females. The rates are projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

<sup>(1)</sup> Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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Texas Society of CPAs

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 Commissioners' Court  
County of Crockett  
P.O. Box 989  
Ozona, TX 76943-0989

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 the County of Crockett, Texas, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 26, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Crockett'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 of Crockett's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Crockett'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 County'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 the 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 of Crockett's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item: 2016-001.

**County's Response to Findings**

The County of Crockett's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly we express no opinion on the response.

**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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Eckert & Company, LLP*

June 26, 2017



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE OF TEXAS  
SINGLE AUDIT CIRCULAR OF THE UNIFORM GRANT MANAGEMENT STANDARDS

The Honorable County Judge  
and Commissioners' Court  
County of Crockett  
P.O. Box 989  
Ozona, TX 76943-0989

**Report on Compliance for Each Major State Program**

We have audited the County of Crockett's compliance with the types of compliance requirements described in the State of Texas Single Audit Circular that could have a direct and material effect on the County of Crockett's major state program for the year ended December 31, 2016. The County of Crockett's major state program is 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 the requirements of statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the County of Crockett's major state program 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 State of Texas Single Audit Circular. Those standards and the State of Texas Single Audit Circular 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 state program occurred. An audit includes examining, on a test basis, evidence about the County of Crockett'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 the major state program. However, our audit does not provide a legal determination of the County of Crockett's compliance.

***Opinion on Each Major State Program***

In our opinion, the County of Crockett, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended December 31, 2016.

### **Report on Internal Control Over Compliance**

Management of the County of Crockett, Texas, 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 the County of Crockett's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major state program and to test and report on internal control over compliance in accordance with the State of Texas Single Audit Circular, 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 state 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 state 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 state 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.

### **Purpose of This Report**

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 State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

*Eckert & Company, LLP*

June 26, 2017

COUNTY OF CROCKETT  
 Schedule of Findings and Questioned Costs  
 Year Ended December 31, 2016

**A. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued	<u>Unmodified</u>
Internal Control Over Financial Reporting	
Material weaknesses identified?	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes <u>X</u> None Reported
Noncompliance material to financial statements noted?	<u>X</u> Yes ___ No

**State Awards**

Internal Control Over Major Programs	
Material weaknesses identified?	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses?	___ Yes <u>X</u> None Reported
Type of auditor's report issued on compliance for major programs	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with the State of Texas Single Audit Circular ?	___ Yes <u>X</u> No

**Identification of Major Program**

Grant	
<u>Number</u>	<u>Name of State Program</u>

CTIF-01-031 Texas Department of Transportation - County Transportation Infrastructure Fund Grant

Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	___ Yes <u>X</u> No

**B. Findings - Financial Statements Audit**

None

**C. Findings and Questioned Costs - Major State Award Program Audit**

None

COUNTY OF CROCKETT  
Schedule of Findings and Questioned Costs - Continued  
Year Ended December 31, 2016

**D. Findings - State Compliance**

Reference Number: 2016-001

Criteria:

Section 111.010 of the Texas Local Government Code states that public funds of the County may be spent only in strict compliance with the budget except in an emergency.

Condition:

Expenditures exceeded appropriations in the following:

General Fund	
Public Safety	\$ 246,641
Transfers Out	52,629
Road and Bridge Fund	
Transfers Out	231,383

Cause:

Amendments to the budget were not adequate to ensure that expenditures did not exceed appropriations during the year.

Effect:

Public funds of the County were spent that were not provided for in the budget.

Auditor's Recommendation:

The budget should be monitored closely to see that amendments are made as necessary.

Management's Response:

The County will place more emphasis on the budget and see that the amounts appropriated are adequate to cover all expenditures.

COUNTY OF CROCKETT  
Schedule of Status of Prior Findings  
Year Ended December 31, 2016

**Prior Year Findings -**

Reference Number: 2015-001

Actual expenditures exceeded the budget.

**Status of Prior Year Findings -**

Reference Number: 2015-001

Actual expenditures exceeded the budget in the prior year and also exceeded the budget in the current year.

COUNTY OF CROCKETT  
Corrective Action Plan  
Year Ended December 31, 2016

(Prepared by the County's Management)

The County of Crockett submits the following corrective action plan for the year ended December 31, 2016:

**Findings - State Compliance**

2016-001 Budget Overexpenditure

Recommendation:

The budget should be monitored closely to see that amendments are made as necessary.

Action Taken:

The County will place more emphasis on the budget and see that the amounts appropriated are adequate to cover all expenditures.

Anticipated Completion Date: Throughout Fiscal Year Ending December 31, 2017

**Contact Person**

Janie Chandler, County Auditor  
325/392-3131

COUNTY OF CROCKETT  
Schedule of Expenditure of State and Federal Awards  
Year Ended December 31, 2016

<u>State or Federal Grantor</u> <u>Pass-Through Agency/ Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Pass-Through</u> <u>Entity Identifying</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
State Programs			
<u>Texas Department of Transportation</u>			
County Transportation Infrastructure Fund	N/A	CTIF-01-053	\$ 1,405,034
Routine Airport Maintenance Program	N/A	42M1607OZON	36,130
<u>Texas A&amp;M Forest Service</u>			
Rural Volunteer Fire Department Program (HB2604)		CROCKETT	<u>200,000</u>
Total State Program Expenditures			<u>\$ 1,641,164</u>
Federal Programs			
<u>U.S. Department of Homeland Security</u>			
Pass-Through Texas Office of the Governor			
SHSP LETPA	97.067	3143501	\$ 15,366
Operation Stonegarden	97.067	3158301	78,573
<u>U.S. Department of Housing and Urban Development</u>			
Pass-Through Texas Department of Agriculture			
CDGB Contract #7214342	14.228	7214342	<u>199,916</u>
Total Federal Program Expenditures			<u>\$ 293,855</u>
Total State and Federal Program Expenditures			<u>\$ 1,935,019</u>

COUNTY OF CROCKETT  
Notes to the Schedule of Expenditures of State and Federal Awards  
December 31, 2016

Note A - Basis of Accounting

The County accounts for awards under state and federal programs in the General Fund and Special Revenue Funds. The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

Note B - Basis of Presentation

The accompanying schedule of expenditures of state and federal awards includes the state and federal grant activity of the County of Crockett and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of the State of Texas Single Audit Circular. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.