



County of Eastland

EASTLAND COUNTY, TEXAS

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

September 30, 2017

EASTLAND COUNTY, TEXAS

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June 26, 2018

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9, Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – General Fund on page 34, Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Road and Bridge Fund on page 35, Schedule of Changes in Net Pension Liability and Related Ratios – Pension Plan on page 36, Schedule of Contributions – Pension Plan on page 37, and Schedule of Funding Progress – Other Post-Employment Benefits on page 38, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018 on our consideration of the Eastland County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eastland County, Texas' internal control over financial reporting and compliance.

Condly and Company, L.L.P.

Certified Public Accountants

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

EASTLAND COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2017

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the County's financial statements that begin on page 10.

USING THIS ANNUAL REPORT

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

Report Components

This annual report consists of five parts as follows:

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

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

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

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

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

Reporting the County as a Whole

The County's Reporting Entity Presentation

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

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

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

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

Reporting the County's Most Significant Funds

The Fund Financial Statements

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

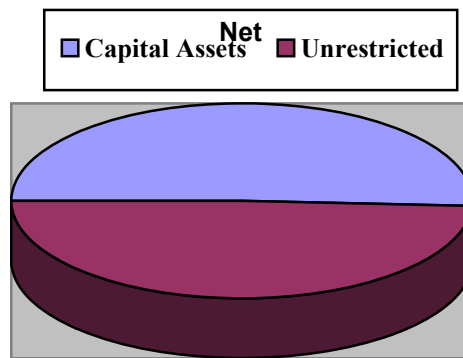
Governmental funds - Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

Eastland County’s combined net position was approximately \$9.9 million at September 30, 2017. Approximately 51% of the County’s net position reflects its investment in capital assets (e.g. land, buildings, machinery, equipment), less accumulated depreciation and any related outstanding debt. The remaining balance of unrestricted net position may be used to meet the County’s ongoing obligations to citizens and creditors.



Eastland County’s combined total assets amounted to \$12,843,907. This amount included current and other assets of \$7,436,499 and capital and non-current assets of \$5,407,408. Deferred outflows of resources totaled \$1,251,689 at September 30, 2017 and relate to pension contributions. Total liabilities of the County at September 30, 2017 (excluding deferred inflows) were \$4,056,416. The portion of liabilities classified as current was \$1,779,663 and long-term liabilities were \$2,276,753. Deferred inflows of resources totaled \$171,435 at September 30, 2017 and relate to pension contributions. See **Table 1** for additional variances between September 30, 2017 and 2016.

Table 1

	Governmental Activities	
	2017	2016
Assets:		
Current and other assets	\$ 7,436,499	\$ 5,428,628
Capital assets	5,407,408	5,610,138
Total Assets	<u>\$ 12,843,907</u>	<u>\$ 11,038,766</u>
 Deferred Outflows of Resources	 <u>\$ 1,251,689</u>	 <u>\$ 1,362,038</u>

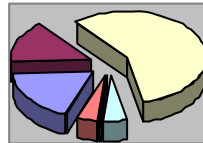
	Governmental Activities	
	2017	2016
Liabilities:		
Current liabilities	\$ 1,779,663	\$ 661,934
Noncurrent liabilities	2,276,753	2,461,248
Total Liabilities	<u>\$ 4,056,416</u>	<u>\$ 3,123,182</u>
Deferred Inflows of Resources	<u>\$ 171,435</u>	<u>\$ 0</u>
Net position:		
Invested in capital assets, net of related debt	\$ 5,028,587	\$ 5,099,224
Unrestricted	4,839,158	4,178,398
Total Net Position	<u>\$ 9,867,745</u>	<u>\$ 9,277,622</u>

Total assets increased primarily because of the County’s cash and investment position as well as an increase in grants receivable. Cash and investments increased \$1,504,929 from September 30, 2016 to September 30, 2017. Liabilities increased primarily due to an increase in accounts payable due to the timing that payments were made, and due to an increase in unearned revenue.

Changes in Net Position

Eastland County’s net position increased by \$590,123 during fiscal year 2017. Total revenues for the fiscal year ended September 30, 2017 were \$12,225,770. Approximately 58% of the County’s revenue comes from property taxes. Charges for services decreased by \$49,189 and fines and forfeitures and other taxes decreased by \$24,908. Operating grants and contributions increased \$781,543. Property taxes increased by \$35,720, and miscellaneous revenue (including investment earnings) increased by \$311,266.

**Sources of Funds for
Governmental Activities - Fiscal
Year 2017**



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

For the years ended September 30, 2017 and 2016, net position of the primary government changed as follows:

Table 2	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 2,277,092	\$ 2,326,281
Operating grants and contributions	1,791,404	1,009,861
General revenues:		
Property taxes	7,082,385	7,046,665
Fines and forfeitures and other taxes	555,615	580,523
Investment earnings	40,055	20,028
Miscellaneous	<u>479,219</u>	<u>187,980</u>
Total revenues	<u>12,225,770</u>	<u>11,171,338</u>
Expenses:		
General government	2,798,732	2,200,497
Health and welfare	551,169	513,557
Judicial and legal	2,434,210	2,293,520
Public safety	3,076,190	2,905,958
Public facilities	616,606	637,095
Road maintenance	2,148,861	2,022,014
Interest on long-term debt	<u>9,879</u>	<u>9,801</u>
Total expenses	<u>11,635,647</u>	<u>10,582,442</u>
Increase (decrease) in net position	590,123	588,896
Beginning net position	<u>9,277,622</u>	<u>8,688,726</u>
Ending net position	\$ <u>9,867,745</u>	\$ <u>9,277,622</u>

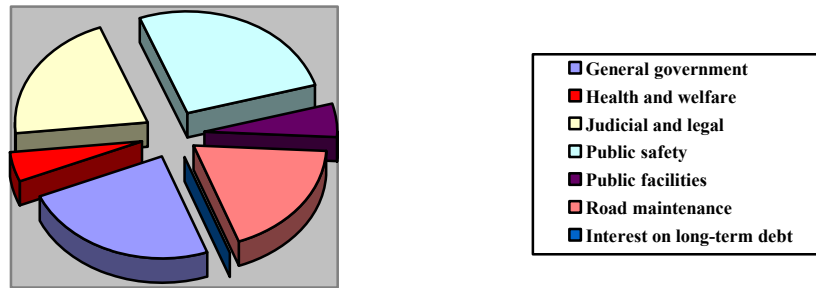
Governmental Activities

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

Expenditures increased overall by \$1,053,205 from the prior year, primarily due to an increase in general government expenses. Other areas had changes that were not overall significant.

The County's governmental resources were used as follows during the year ended September 30, 2017:

Uses of Funds in Governmental Activities



Total expenses for governmental activities amounted to \$11,635,647 during the year ended September 30, 2017. Of these total expenses, taxpayers and other general revenues funded \$8,157,274 while those directly benefiting from the program funded \$1,791,404 from grants and other contributions and \$2,277,092 was provided from charges for services for the year ended September 30, 2017.

A FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Fund Financial Highlights

- As of the end of the fiscal year, Eastland County's governmental funds reported a combined fund balance of \$5,563,280, an increase of \$895,718 or 19% in comparison with the prior year.
- The General Fund is the chief operating fund of the County. At the end of the fiscal year, \$3,163,850 of the general fund's fund balance total of \$3,224,804 is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 43% of total general fund expenditures.
- The County's total revenues exceeded total expenses by \$895,718 for the year.

General Fund Budgetary Highlights

Over the course of the year, the County revised the general fund budget at various times. With these adjustments, actual expenditures (including transfers) were \$460,295 lower than final budgeted amounts. The most significant positive variance from budgeted expenses resulted from less general government expenditures than anticipated. The actual revenues were \$95,415 higher than expected.

Road and Bridge Fund Budgetary Highlights

Over the course of the year, the County revised the road and bridge fund budget at various times. With these adjustments, actual expenditures were \$241,787 higher than final budgeted amounts. Actual revenues (including transfers and capital lease proceeds) were \$158,170 lower than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2017, the County had invested \$5,407,408 in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net decrease (including additions, retirements and adjustments) of \$202,730 or 4% over last year. The main events affecting capital assets during the year were the purchases of election equipment as well as purchasing multiple vehicles. See **NOTE 5** in the notes to the financial statements for additional details.

Primary Government Capital Assets - (Net of accumulated depreciation)

	Governmental Activities 2017
Land	\$ 158,678
Buildings and improvements	2,146,447
Furniture and equipment	2,318,789
Infrastructure	<u>783,494</u>
Total	<u>\$ 5,407,408</u>

Capital Leases

At year end, the County had outstanding capital leases totaling \$378,821 that were obtained in order to finance acquisition of various equipment. See **NOTE 6** in the notes to the financial statements for additional details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending September 30, 2018, the County's budget is fairly consistent with this year. Budgeted expenditures for next fiscal year are approximately the same as they were for the 2016-2017 year. The County's fund balance is projected to remain consistent.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Eastland County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's office at: Eastland County, Texas, 100 W. Main Street, Suite 205, Eastland, Texas 76448.

GOVERNMENT – WIDE FINANCIAL STATEMENTS

EASTLAND COUNTY, TEXAS

STATEMENT OF NET POSITION

September 30, 2017

	Governmental Activities
ASSETS:	
Current Assets:	
Cash and cash equivalents	\$ 4,060,584
Investments	2,467,218
Taxes receivable - net of allowance for uncollectible taxes of \$281,231	281,231
Due from other governments	51,137
Grants receivable	499,028
Prepaid expenses and other assets	77,301
Capital Assets:	
Land	158,678
Buildings and improvements	4,673,834
Infrastructure	21,209,599
Furniture and equipment	7,113,162
Less accumulated depreciation	(27,747,865)
TOTAL ASSETS	12,843,907
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources related to pensions	1,251,689
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,251,689
LIABILITIES:	
Current Liabilities:	
Accounts payable and accrued expenses	486,864
Accrued wages	285,166
Accrued interest payable	4,025
Due to other governments	4,070
Unearned revenue	815,888
Leases payable - current	183,650
Noncurrent Liabilities:	
Leases payable - long term	195,171
Net pension liability	2,081,582
TOTAL LIABILITIES	4,056,416
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources related to pensions	171,435
TOTAL DEFERRED INFLOWS OF RESOURCES	171,435
NET POSITION:	
Invested in capital assets, net of related debt	5,028,587
Unrestricted	4,839,158
TOTAL NET POSITION	\$ 9,867,745

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

EASTLAND COUNTY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017

Function/Program Activities	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense)
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Revenues and Changes in Net Position
				<u>Primary Governmental Activities</u>
Primary Government:				
Governmental Activities:				
General government	\$ 2,798,732	\$ 776,663	\$ 47,600	\$ (1,974,469)
Judicial and legal	2,434,210	548,485	454,678	(1,431,047)
Public safety	3,076,190	682,826	3,871	(2,389,493)
Public facilities	616,606	16,919	34,515	(565,172)
Road and bridge	2,148,861	202,957	1,250,740	(695,164)
Health and welfare	551,169	49,242		(501,927)
Interest on long-term debt	9,879			(9,879)
	<u>11,635,647</u>	<u>2,277,092</u>	<u>1,791,404</u>	<u>(7,567,151)</u>
Total governmental activities				
General Revenues:				
Taxes:				
Property taxes, levied for general purposes				7,082,385
Fines and forfeitures				555,615
Gain on sale of assets				175,486
Other revenue				303,733
Interest income				40,055
				<u>8,157,274</u>
Total General Revenues and Transfers				8,157,274
Change in Net Position				590,123
Net position - Beginning				<u>9,277,622</u>
Net position - Ending				<u>\$ 9,867,745</u>

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

FUND FINANCIAL STATEMENTS

EASTLAND COUNTY, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2017

	<u>General</u>	<u>Road and Bridge</u>	<u>Grants</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash and cash equivalents	\$ 1,378,165	\$ 124,702	\$ 1,263,329	\$ 1,294,388	\$ 4,060,584
Investments	2,357,218			110,000	2,467,218
Taxes receivable	562,462				562,462
Grants receivable			499,028		499,028
Allowance for uncollectible taxes	(281,231)				(281,231)
Due from other funds				2,404	2,404
Due from other governments	21,216	4,520		25,401	51,137
Prepaid expenses and other assets	60,617	14,750		1,934	77,301
Total Assets	<u>\$ 4,098,447</u>	<u>\$ 143,972</u>	<u>\$ 1,762,357</u>	<u>\$ 1,434,127</u>	<u>\$ 7,438,903</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u>					
Liabilities:					
Accounts payable and accrued expenses	\$ 416,813	\$ 48,621	\$	\$ 21,430	\$ 486,864
Accrued wages	169,125	38,977		77,064	285,166
Due to other funds	2,404				2,404
Due to other governments	4,070				4,070
Unearned Revenue		95,523	706,756	13,609	815,888
Total Liabilities	<u>592,412</u>	<u>183,121</u>	<u>706,756</u>	<u>112,103</u>	<u>1,594,392</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	<u>281,231</u>				<u>281,231</u>
Total Deferred Inflows of Resources	<u>281,231</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>281,231</u>
Fund Balances:					
Non-spendable	60,617				60,617
Restricted		(39,149)	1,055,601	1,116,474	2,132,926
Committed	337				337
Assigned				205,550	205,550
Unassigned	<u>3,163,850</u>				<u>3,163,850</u>
Total Fund Balances	<u>3,224,804</u>	<u>(39,149)</u>	<u>1,055,601</u>	<u>1,322,024</u>	<u>5,563,280</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,098,447</u>	<u>\$ 143,972</u>	<u>\$ 1,762,357</u>	<u>\$ 1,434,127</u>	<u>\$ 7,438,903</u>

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

EASTLAND COUNTY, TEXAS

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

September 30, 2017

Fund Balances - Total Governmental funds	\$	5,563,280
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 33,155,273	
Less accumulated depreciation	<u>(27,747,865)</u>	5,407,408
Deferred outflows of resources related to pensions.		1,251,689
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Interest payable	(4,025)	
Governmental leases payable	(378,821)	
Net pension liability	<u>(2,081,582)</u>	(2,464,428)
Property tax revenue considered unavailable for the governmental funds and recorded as a deferred inflow of resources in the governmental funds.		281,231
Deferred inflows of resources related to pensions.		<u>(171,435)</u>
Net position of governmental activities	\$	<u><u>9,867,745</u></u>

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

EASTLAND COUNTY, TEXAS

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

For the Year Ended September 30, 2017

	General Fund	Road and Bridge	Grants	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 7,075,335	\$	\$	\$	\$ 7,075,335
Grants and contributions	80,140	49,074	1,201,666	460,524	1,791,404
Charges for services	777,328	439,216		1,060,548	2,277,092
Fines and forfeitures	549,028			6,587	555,615
Interest	26,539	4,140		9,376	40,055
Other	264,873	42,120		46,179	353,172
Total Revenues	8,773,243	534,550	1,201,666	1,583,214	12,092,673
EXPENDITURES:					
Current:					
General government	2,726,375			16,729	2,743,104
Judicial and legal	1,278,628		31,970	1,073,077	2,383,675
Public safety	2,468,164			499,160	2,967,324
Public facilities	327,371			161,601	488,972
Road and bridge		2,095,609	27,856		2,123,465
Health and welfare	528,623			11,231	539,854
Total Expenditures	7,329,161	2,095,609	59,826	1,761,798	11,246,394
Excess (Deficit) Revenues Over (Under) Expenditures	1,444,082	(1,561,059)	1,141,840	(178,584)	846,279
OTHER FINANCING SOURCES AND (USES):					
Capital lease proceeds		49,439			49,439
Transfers in (out)	(1,048,567)	1,325,174	(401,375)	124,768	0
Total Sources (Uses):	(1,048,567)	1,374,613	(401,375)	124,768	49,439
Excess (Deficit) Revenues and Other Financing Sources Over (Under) Expenditures and Financing Uses	395,515	(186,446)	740,465	(53,816)	895,718
Fund Balances, Beginning of Year	2,829,289	147,297	315,136	1,375,840	4,667,562
Fund Balances, End of Year	\$ 3,224,804	\$ (39,149)	\$ 1,055,601	\$ 1,322,024	\$ 5,563,280

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

EASTLAND COUNTY, TEXAS

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

For the Year Ended September 30, 2017

Net change in fund balances - total governmental funds	\$	895,718
Amounts reported for governmental activities in the statement of activities are different because:		
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the capital outlays and debt principal payments is to increase net position.		446,892
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.		(641,771)
The issuance of long-term debt provides current financial resources to government, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The net effect of the issuance of long-term debt is to decrease net position.		(49,439)
The change in net pension liability and the related deferred outflows and inflows of resources reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as an expenditure in the governmental funds.		(243,813)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing gains and losses on the sale of fixed assets based on book value and the adjustment of other accrual accounts. The net effect of these reclassifications and recognitions is to increase net position.		<u>182,536</u>
Change in net position of governmental activities	\$	<u>590,123</u>

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

EASTLAND COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

September 30, 2017

	Employee Retirement Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$	\$ 1,870,373
Certificates of deposit and savings		142,173
Due from others		12,183
Investments at fair value	<u>339,165</u>	<u> </u>
Total Assets	<u>339,165</u>	<u>2,024,729</u>
LIABILITIES:		
Accrued liabilities		115,292
Due to others		1,907,705
Bonds held in trust	<u> </u>	<u>1,732</u>
Total Liabilities	<u>0</u>	<u>2,024,729</u>
NET POSITION:		
Held in trust for pension benefits and other purposes	<u>\$ 339,165</u>	<u>\$ 0</u>

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

EASTLAND COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended September 30, 2017

	Employee Retirement Funds
ADDITIONS:	
Contributions:	
Employee	\$ <u>30,444</u>
Investment Earnings:	
Investment gains	40,905
Less Investment Expenses:	
Asset fees	<u>1,703</u>
Net Investment Gain	<u>39,202</u>
Total Additions	<u>69,646</u>
DEDUCTIONS:	
Benefits paid	<u>34,643</u>
Net increase	35,003
Net Position - Beginning of Year	<u>304,162</u>
Net Position - End of Year	\$ <u><u>339,165</u></u>

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

NOTES TO FINANCIAL STATEMENTS

EASTLAND COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

September 30, 2017

NOTE 1: REPORTING ENTITY

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

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

NOTE 2: GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Statements:

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

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

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

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

Fund Financial Statements:

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

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

Special Revenue Funds

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

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

Grants Fund – The grants fund is established to account for the resources devoted to account for the resources related to federal grant awards.

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

Non-spendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).

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

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commissioners’ Court (the County’s highest level of decision-making authority).

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

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

Non-spendable Fund Balance

The County's non-spendable fund balance as of September 30, 2017 totaling \$60,617 relates to prepaid insurance.

Restricted Fund Balance

The County's restricted fund balance as of September 30, 2017, which relates to use of external resources and resources created by enabling legislation for the purpose of the legislation, is comprised of the following:

<u>Restriction</u>	<u>Amount</u>
Texas Department of Criminal Justice grants and contracts	\$ 241,325
District attorney forfeitures	224,661
Record and statistic preservation	174,742
Road maintenance	(39,149)
Court technology	88,508
Law library	79,787
Courthouse security	78,457
Jury fund	43,479
Record archival	138,270
Other grants	1,055,601
Sheriff commissary	20,483
Law enforcement officers standards and education	20,010
Election service	6,751
Sheriff seizure	1
Total Restricted Fund Balance	\$ <u>2,132,926</u>

Committed Fund Balance

The County's committed fund balance is the portion of the fund balance that may only be established and modified by a formal action of the Commissioners' Court. The County's committed fund balance as of September 30, 2017 is comprised of the following:

<u>Commitment</u>	<u>Amount</u>
County Infrastructure Transportation Reinvestment Zone	\$ <u>337</u>
Total Committed Fund Balance	\$ <u>337</u>

Assigned Fund Balance

The County's management has the authority to assign funds in accordance with various internal programs. The County's assigned fund balance as of September 30, 2017 is comprised of the following:

<u>Assignment</u>	<u>Amount</u>
County farm	\$ 48,512
Cooperative dispatch	154,787
Historical commission	<u>2,251</u>
Total Assigned Fund Balance	\$ <u>205,550</u>

Order of Fund Balance Spending Policy

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

Fiduciary Funds

The County reports the following fiduciary fund types:

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

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

Measurement Focus/Basis of Accounting

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

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

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

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

Budget

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

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

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

Cash and Cash Equivalents

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

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

Property Tax Calendar

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Capital Assets

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

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

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

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

Fund Financial Statements

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

Long-Term Debt

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

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

Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance.

Use of Estimates

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

Subsequent Events

Management has evaluated subsequent events through June 26, 2018, the date the financial statements were available to be issued.

NOTE 3: LEGAL COMPLIANCE - BUDGETS

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

NOTE 4: CASH AND INVESTMENTS

In addition to the \$250,000 insurance on accounts provided by Federal Deposit Insurance Corporation (“FDIC”) regulations, securities in the amount of \$10,585,161 were pledged by the depository bank to secure all bank deposits and investments. The largest cash balance amounted to \$6,586,650 and occurred on February 4, 2017. The pledged securities plus FDIC coverage were sufficient to cover the largest cash balance for the County. Cash deposits at September 30, 2017, totaling \$6,527,802 (all funds), were in checking or money market accounts during the year which are allowable types of deposits.

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

Statutes authorize the County to invest in the State’s investment pool. The County’s investments held at September 30, 2017, are not subject to classifications where securities related to the government cannot be identified. Investments at September 30, 2017 included certificates of deposit totaling \$2,467,218.

Investments

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

Investment Policy

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

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

Public Funds Investments Pools

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

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

Investment Risks

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

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2017, the County was not exposed to credit risk.

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

pledging financial institution's trust department or agent but not in the County's name. At September 30, 2017, the County was not exposed to custodial credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At September 30, 2017, the County was not exposed to concentration of credit risk.

Interest rate risk is the risk that changes in the interest rates will adversely affect the fair value of an investment. At September 30, 2017, the County was not exposed to interest rate risk.

Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. At September 30, 2017, the County was not exposed to foreign currency risk.

NOTE 5: CAPITAL ASSETS

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Non-depreciable assets:				
Land and improvements	\$ 158,678	\$ _____	\$ _____	\$ 158,678
Depreciable assets:				
Buildings and improvements	4,673,834			4,673,834
Furniture and equipment	7,031,302	511,927	(430,067)	7,113,162
Infrastructure – roads and bridges	21,209,599			21,209,599
Total at historical cost	<u>32,914,735</u>	<u>511,927</u>	<u>(430,067)</u>	<u>32,996,595</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,392,992)	(134,395)		(2,527,387)
Furniture and equipment	(4,714,526)	(437,029)	357,181	(4,794,374)
Infrastructure – roads and bridges	<u>(20,355,757)</u>	<u>(70,347)</u>		<u>(20,426,104)</u>
Total accumulated depreciation	<u>(27,463,275)</u>	<u>(641,771)</u>	<u>357,181</u>	<u>(27,747,865)</u>
Governmental activity capital assets, net	<u>\$ 5,610,138</u>	<u>\$ (129,844)</u>	<u>\$ (72,886)</u>	<u>\$ 5,407,408</u>

Depreciation expense was charged to functions as follows:

General government	\$ 145,054
Public safety	18,884
Public facilities	116,156
Road and bridge	<u>361,677</u>
	<u>\$ 641,771</u>

NOTE 6: LONG-TERM OBLIGATIONS

As of September 30, 2017, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

Capital leases:

A capital lease obtained for the purchase of equipment, payable in annual installments of \$39,538 including interest at 2.21%, secured by equipment, final payment due March 2018.	\$ 38,204
A capital lease obtained for the purchase of equipment, payable in annual installments of \$47,575 including interest at 1.97%, secured by the vehicle, final payment due February 2018.	46,459
A capital lease obtained for the purchase of a vehicle, payable in annual installments of \$32,530 including interest at 2.16%, secured by the vehicle, final payment due April 2018.	31,607
A capital lease obtained for the purchase of equipment, payable in annual installments of \$9,228 including interest at 2.80%, secured by equipment, final payment due August 2017.	226,471
A capital lease obtained for the purchase of equipment, payable in annual installments of \$12,776 including interest at 2.80%, secured by equipment, final payment due November 2019.	<u>36,080</u>
Total capital leases	<u>\$ 378,821</u>

Changes in long-term obligations for the year ended September 30, 2017, are as follows:

	<u>October 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2017</u>	<u>Amount Due Within One Year</u>
Capital leases	\$ 510,914	\$ 49,439	\$ (181,532)	\$ 378,821	\$ 183,650
Net pension liability	2,119,552		(37,970)	2,081,582	0
Compensated absences	132,073	7,724		139,797	139,797

Interest expense on long-term obligations during the year ended September 30, 2017 totaled \$9,879.

The County is obligated under leases accounted for as capital leases. Capital assets with an original cost basis of \$990,668 were acquired under the capital leases. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2017.

Year Ending <u>September 30,</u>	
2018	\$ 192,345
2019	72,701
2020	72,701
2021	<u>58,957</u>
Minimum lease payments for capital lease	396,704
Less: Amount representing interest	<u>(17,883)</u>
Present value of minimum lease payments	<u>\$ 378,821</u>

NOTE 7: FEDERAL/STATE SOURCE REVENUES

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

NOTE 8: EMPLOYEE RETIREMENT PLANS

Pension Plan Description

The County provides pension, disability and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 575 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

As of the most recent measurement date which was December 31, 2016, membership data for the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	71
Inactive employees entitled to but not yet receiving benefits	70
Active employees	<u>120</u>
Total participants	261

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer, based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 11.57% from October 2016 through December 2016 and 11.55% from January 2017 through September 2017. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

For the employer’s accounting year ending September 30, 2017, the annual pension cost for the TCDRS plan for its employees was \$467,356 and the actual contributions were \$467,356.

Net Pension Liability

The net pension liability (NPL) is the difference between the total pension liability (TPL) and the plan's fiduciary net position. The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service. The fiduciary net position is determined on the same basis used by the pension plans. The County's NPL was measured as of December 31, 2016, and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date.

Total pension liability	\$	16,036,268
Fiduciary net position		<u>13,954,686</u>
Net pension liability	\$	<u><u>2,081,582</u></u>

Actuarial Assumptions

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of actuarial experience studies. The experience study was for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB Statement No. 68.

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

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

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

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

Asset Class	Target Allocation	Geometric Real Rate of Return (expected minus inflation)
US Equities	13.50%	4.70%
Private Equity	16.00%	7.7%
Global Equities	1.50%	5.00%
International Equities - Developed	10.00%	4.70%
International Equities - Emerging	7.00%	5.70%
Investment Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%

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

Schedule of Changes in the Net Pension Liability

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of December 31, 2015	\$ 15,123,037	\$ 13,003,485	\$ 2,119,552
Changes for the year:			
Service cost	625,600		625,600
Interest on total pension liability	1,218,092		1,218,092
Effect of plan changes	0		0
Effect of economic / demographic gains or losses	(131,768)		(131,768)
Effect of assumption or plan changes	0		0
Refund of contributions	(54,375)	(54,375)	0
Benefit payments	(744,317)	(744,317)	0
Administrative expenses		(10,456)	10,456
Member contributions		283,179	(283,179)
Net investment income		961,424	(961,424)
Employer contributions		534,119	(534,119)
Other		(18,372)	18,372
Balances as of December 31, 2016	\$ 16,036,269	\$ 13,954,687	\$ 2,081,582

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

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

	1% Decrease <u>(7.10%)</u>	Current Rate <u>(8.10%)</u>	1% Increase <u>(9.10%)</u>
Total pension liability	\$ 17,940,208	\$ 16,036,269	\$ 14,437,125
Fiduciary net position	<u>13,954,687</u>	<u>13,954,687</u>	<u>13,954,687</u>
Net pension liability (asset)	\$ <u>3,985,521</u>	\$ <u>2,081,582</u>	\$ <u>482,438</u>

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

For the year ended September 30, 2017, the County recognized total pension expense of \$755,011.

As of September 30, 2017, the County reported on the Statement of Net Position deferred outflows and inflows of resources related to pensions from the following sources:

Contributions subsequent to measurement date	\$ 538,864
Difference between projected and actual investment earnings	620,923
Change of assumptions	91,902
Difference between expected and actual experience	<u>(171,435)</u>
Total	\$ <u>1,080,254</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$538,864 will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Remaining net deferred outflows and inflows of resources related to pensions totaling \$712,825 and (\$171,435), respectively will be recognized in pension expense for the years ending September 30, 2018, 2019, 2020, and 2021 in the amounts of \$62,922, \$252,485, \$207,693, and \$18,290, respectively.

Supplemental Death Benefits Plan

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

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

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

The County's contribution to the group term life program for the years ended September 30, 2017, 2016, and 2015 totaled \$19,112, \$21,630, and \$21,850, respectively, which equaled the required contributions each year.

Other Post-Employment Benefits (OPEB)

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

Funding Policy

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

Annual OPEB Cost

For the employer's accounting year ending September 30, 2017, the annual OPEB cost for the medical plan for its retirees was \$11,262 and the actual contributions were \$3,942.

The required contribution was determined as part of the October 1, 2016 actuarial valuation using the projected unit cost method. The actuarial assumptions at October 1, 2016 included (a) 4.5 percent discount rate (including inflation), and (b) projected health care cost trend of 5.0 percent. Both (a) and (b) included an inflation component of 3.0 percent. The period used to determine amortization costs for the initial unfunded actuarial accrued liability is a level period for 30 years.

Funded Status and Funding Progress

As of October 1, 2016, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$90,168, and the actuarial value of assets was \$0, resulting in unfunded actuarial accrued liability (UAAL) of \$90,168. The covered payroll (annual payroll of active employees covered by the plan) was \$3,514,573, and the ratio of the UAAL to the covered payroll was 2.57 percent.

Trend Information for Eastland County, Texas

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/15	7,061	0%	19,581
09/30/16	9,630	0%	29,211
09/30/17	11,262	35%	36,351

Actuarial Valuation Information

	<u>10/1/14</u>	<u>10/1/15</u>	<u>10/1/16</u>
Actuarial valuation date			
Actuarial cost method	projected unit cost	projected unit cost	projected unit cost
Amortization method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization period (initial)	30	30	30
Assumptions:			
Real rate of return	1.50%	1.50%	1.50%
Inflation	3.00%	3.00%	3.00%
Healthcare cost trend	5.00%	5.00%	5.00%

Deferred Compensation Plan

The County established a 457 deferred compensation plan administered by Nationwide Retirement Solutions to provide additional employee benefits for general employees of the County. Contributions to the plan are optional and the County does not provide any employer funding. Plan provisions and contribution requirements are established and may be amended by the County Commissioners. The plan is included as a fiduciary fund and prepared using the accrual basis of accounting. Contributions to the plan are recognized in the period that the contributions are received. Employee contributions for the year ended September 30, 2017, totaled \$30,444. Plan investments are reported at fair value based on quoted market prices if traded on a national exchange or at estimated fair value.

NOTE 9: DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the County will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense / expenditure) until then. See Note 8 above regarding employee retirement plans for items reported in this category on the Statement of Net Position totaling \$1,251,689 as of September 30, 2017.

In addition to liabilities, the County will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. See Note 8 above regarding employee retirement plans for items reported in this category on the Statement of Net Position totaling \$171,435 as of September 30, 2017.

NOTE 10: RISK MANAGEMENT

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

NOTE 11: INTERFUND TRANSACTIONS

The composition of interfund balances as of September 30, 2017, are as follows:

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental funds	General fund	\$ <u>2,404</u>
		\$ <u>2,404</u>

The above balances reflect temporary cash advances.

Transfers:

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General fund	Road and bridge fund	\$ 965,560
	Courthouse security fund	115,845
	Juries fund	20,000
Grants fund	General fund	41,761
Grants fund	Road and bridge fund	359,614
Cooperative dispatch	General fund	<u>11,077</u>
		\$ <u>1,513,857</u>

NOTE 12: TAX ABATEMENTS

Eastland County negotiates property tax abatement agreements with local businesses on an individual basis. All agreements are negotiated under state law (Chapter 312 of the Texas Tax Code, "Property Redevelopment and Tax Abatement Act"), which allows the County to abate property taxes to any business located inside or outside Eastland County to promote the development/redevelopment of certain contiguous geographic areas within its jurisdiction. Eastland County may grant abatements of up to 100 percent of annual property tax values.

Eastland County has one maintenance and operation tax abatement agreement. It is as follows:

- Silver Star Power Partners LLC, from 100% to 25% taxes abated over 10 years (see schedule below), beginning January 2008 and ending January 2017. The abatement amounted to \$24,292 of reduced taxes for fiscal year 2016-2017. The purpose of the abatement is for the construction and employment of the wind power project.

<u>Year Ended</u>	<u>Percentage of Taxes Abated</u>
12/31/08	100%
12/31/09	100%
12/31/10	70%
12/31/11	70%
12/31/12	70%
12/31/13	50%
12/31/14	50%
12/31/15	50%
12/31/16	25%
12/31/17	25%

NOTE 13: DEFICIT FUND EQUITY

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

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

EASTLAND COUNTY, TEXAS

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

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget Positive or (Negative)
	Original	Final		
Budgetary fund balances, October 1	\$ 487,933	\$ 38,793	\$ 2,829,289	\$ 2,790,496
RESOURCES (INFLOWS):				
Taxes	7,005,099	7,005,099	7,075,335	70,236
Grants and contributions	71,840	123,622	80,140	(43,482)
Charges for services	751,185	753,611	777,328	23,717
Fines and forfeitures	493,000	493,000	549,028	56,028
Interest	10,000	10,000	26,539	16,539
Other	119,764	292,496	264,873	(27,623)
Amounts available for appropriation	8,450,888	8,677,828	8,773,243	95,415
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	2,911,169	2,947,792	2,726,375	221,417
Judicial and legal	1,863,199	1,325,458	1,278,628	46,830
Public safety	2,571,340	2,662,584	2,468,164	194,420
Public facilities	359,445	361,075	327,371	33,704
Health and welfare	425,225	435,554	528,623	(93,069)
Transfers out	1,105,560	1,105,560	1,048,567	56,993
Total charges to appropriations	9,235,938	8,838,023	8,377,728	460,295
Budgetary fund balances, September 30	\$ (297,117)	\$ (121,402)	\$ 3,224,804	\$ 3,346,206

Notes to Budgetary Comparison Schedule - General Fund

Note 1: Basis of Accounting

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

EASTLAND COUNTY, TEXAS

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

For the Year Ended September 30, 2017

	Budgeted Amounts		Actual Amount (Budgetary Basis)	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Budgetary fund balances, October 1	\$ (1,865,323)	\$ (3,704,699)	\$ 147,297	\$ 3,851,996
RESOURCES (INFLOWS):				
Grants and contributions	0	12,750	49,074	36,324
Charges for services	402,500	402,500	439,216	36,716
Interest	862	862	4,140	3,278
Other	0	42,882	42,120	(762)
Capital lease proceeds	0	0	49,439	49,439
Transfers in	1,248,726	1,608,339	1,325,174	(283,165)
Amounts available for appropriation	1,652,088	2,067,333	1,909,163	(158,170)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Road and bridge	1,319,936	1,853,822	2,095,609	(241,787)
Total charges to appropriations	1,319,936	1,853,822	2,095,609	(241,787)
Budgetary fund balances, September 30	\$ (1,533,171)	\$ (3,491,188)	\$ (39,149)	\$ 3,452,039

Notes to Budgetary Comparison Schedule - Road and Bridge Fund

Note 1: Basis of Accounting

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

EASTLAND COUNTY, TEXAS

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

For the Year Ended September 30, 2017 *

	<u>Measurement Date 12/31/2016</u>	<u>Measurement Date 12/31/2015</u>
Total Pension Liability:		
Service cost	\$ 625,600	\$ 535,292
Interest on total pension liability	1,218,092	1,151,817
Effect of plan changes		(84,266)
Effect of assumption or plan changes		183,804
Effect of economic / demographic (gains) or losses	(131,768)	(143,620)
Benefit payments / refunds of contributions	<u>(798,692)</u>	<u>(841,055)</u>
Net change in total pension liability	<u>913,232</u>	<u>801,972</u>
Total pension liability, beginning	<u>15,123,036</u>	<u>14,321,064</u>
Total pension liability, ending (a)	<u>16,036,268</u>	<u>15,123,036</u>
Fiduciary Net Position:		
Employer contributions	534,119	491,868
Member contributions	283,179	289,578
Investment income net of investment expenses	961,424	(44,609)
Benefit payments / refunds of contributions	(798,692)	(841,055)
Administrative expenses	(10,456)	(9,378)
Other	<u>(18,372)</u>	<u>48,570</u>
Net change in fiduciary net position	<u>951,202</u>	<u>(65,026)</u>
Fiduciary net position, beginning	<u>13,003,484</u>	<u>13,068,510</u>
Fiduciary net position, ending (b)	<u>13,954,686</u>	<u>13,003,484</u>
Net pension liability, ending ((a) - (b))	<u>\$ 2,081,582</u>	<u>\$ 2,119,552</u>
Fiduciary net position as a % of total pension liability	87.02%	85.98%
Pensionable covered payroll	\$ 4,045,420	\$ 4,136,826
Net pension liability as a % of covered payroll	51.46%	51.24%

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

EASTLAND COUNTY, TEXAS

SCHEDULE OF CONTRIBUTIONS - PENSION PLAN

For the Last Ten Fiscal Years *

Period Ending December 31, (Measurement Date)	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	\$ 242,210	\$ 266,964	\$ (24,754)	\$ 2,426,949	11.00%
2007	265,604	283,931	(18,327)	2,581,189	11.00%
2008	300,028	322,296	(22,268)	2,929,962	11.00%
2009	314,164	327,875	(13,711)	2,980,682	11.00%
2010	331,582	335,856	(4,274)	3,053,238	11.00%
2011	339,521	347,421	(7,900)	3,158,334	11.00%
2012	363,836	363,836	0	3,228,287	11.27%
2013	415,511	415,511	0	3,518,322	11.81%
2014	458,481	458,481	0	3,807,966	12.04%
2015	491,868	491,868	0	4,136,826	11.89%
2016	534,119	534,119	0	4,045,420	13.20%

Notes to Schedule of Contributions:

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

Methods and Assumptions Used to Determine Contribution Rates:

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

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

** Only changes effective 2016 and later are shown in the Notes to Schedule

EASTLAND COUNTY, TEXAS

SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT BENEFITS

For the Year Ended September 30, 2017

Actuarial valuation date	<u>10/1/2014</u>	<u>10/1/2015</u>	<u>10/1/2016</u>
Actuarial value of assets	\$ 0	\$ 0	\$ 0
Actuarial accrued liability (AAL)	\$ 47,350	\$ 67,218	\$ 90,168
Unfunded AAL (UAAL)	\$ 47,350	\$ 67,218	\$ 90,168
Funded ratio	0.00%	0.00%	0.00%
Annual covered payroll (actuarial)	\$ 3,498,583	\$ 3,578,557	\$ 3,514,573
UAAL as a percentage of covered payroll	1.35%	1.88%	2.57%

*SUPPLEMENTARY INFORMATION - COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS*

EASTLAND COUNTY, TEXAS

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS

September 30, 2017

	<u>Adult Probation</u>	<u>Cooperative Dispatch</u>	<u>Constable LEOSE</u>	<u>County Clerk Record Archival</u>	<u>County Clerk Records Management</u>
ASSETS					
Cash and cash equivalents	\$ 246,818	\$ 99,352	\$ 14,118	\$ 127,788	\$ 99,178
Investments		80,000			
Other assets	1,575	359			
Due from other funds				490	493
Due from other governments	<u>24,589</u>				
Total Assets	<u>\$ 272,982</u>	<u>\$ 179,711</u>	<u>\$ 14,118</u>	<u>\$ 128,278</u>	<u>\$ 99,671</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,553	\$ 2,571	\$	\$	\$
Accrued wages	32,500	22,353			178
Due to other governments					
Unearned revenue					
Total Liabilities	<u>38,053</u>	<u>24,924</u>	<u>0</u>	<u>0</u>	<u>178</u>
Fund Balances:					
Restricted	234,929		14,118	128,278	99,493
Assigned		<u>154,787</u>			
Total Fund Balance	<u>234,929</u>	<u>154,787</u>	<u>14,118</u>	<u>128,278</u>	<u>99,493</u>
Total Liabilities and Fund Balance	<u>\$ 272,982</u>	<u>\$ 179,711</u>	<u>\$ 14,118</u>	<u>\$ 128,278</u>	<u>\$ 99,671</u>

<u>County Farm</u>	<u>Courthouse Security</u>	<u>D.A. E.C.C.C.</u>	<u>D.A. Forfeiture</u>	<u>D.A. LEOSE</u>	<u>D.A. State Allocation</u>
\$ 18,794 30,000	\$ 90,923	\$ 24,756	\$ 199,948	\$ 1,541	\$ 532
	174 406				
<u>\$ 48,794</u>	<u>\$ 91,503</u>	<u>\$ 24,756</u>	<u>\$ 199,948</u>	<u>\$ 1,541</u>	<u>\$ 532</u>
\$ 282	\$ 1,933 11,113	\$ 275	\$ 44 256	\$	\$
<u>282</u>	<u>13,046</u>	<u>275</u>	<u>300</u>	<u>0</u>	<u>0</u>
<u>48,512</u>	<u>78,457</u>	<u>24,481</u>	<u>199,648</u>	<u>1,541</u>	<u>532</u>
<u>48,512</u>	<u>78,457</u>	<u>24,481</u>	<u>199,648</u>	<u>1,541</u>	<u>532</u>
<u>\$ 48,794</u>	<u>\$ 91,503</u>	<u>\$ 24,756</u>	<u>\$ 199,948</u>	<u>\$ 1,541</u>	<u>\$ 532</u>

EASTLAND COUNTY, TEXAS

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

September 30, 2017

	<u>Dist. Clerk Records Management & Preservation</u>	<u>Election Service</u>	<u>Justice Court Technology</u>	<u>Juvenile Probation</u>	<u>Law Library</u>
ASSETS					
Cash and cash equivalents	\$ 18,346	\$ 6,751	\$ 77,154	\$ 40,013	\$ 80,041
Investments					
Other assets					
Due from other funds	110				665
Due from other governments			406		
	<u>18,456</u>	<u>6,751</u>	<u>77,560</u>	<u>40,013</u>	<u>80,706</u>
Total Assets	<u>\$ 18,456</u>	<u>\$ 6,751</u>	<u>\$ 77,560</u>	<u>\$ 40,013</u>	<u>\$ 80,706</u>
LIABILITIES AND FUND EQUITIES					
Liabilities:					
Accounts payable	\$	\$	\$	\$ 9,344	\$ 919
Accrued wages				10,664	
Due to other governments					
Unearned revenue				13,609	
	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,617</u>	<u>919</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,617</u>	<u>919</u>
Fund Balances:					
Restricted	18,456	6,751	77,560	6,396	79,787
Assigned					
	<u>18,456</u>	<u>6,751</u>	<u>77,560</u>	<u>6,396</u>	<u>79,787</u>
Total Fund Balance	<u>18,456</u>	<u>6,751</u>	<u>77,560</u>	<u>6,396</u>	<u>79,787</u>
Total Liabilities and Fund Balance	<u>\$ 18,456</u>	<u>\$ 6,751</u>	<u>\$ 77,560</u>	<u>\$ 40,013</u>	<u>\$ 80,706</u>

<u>Records Management and Preservation</u>	<u>Sheriff's LEOSE</u>	<u>Sheriff's Commissary</u>	<u>Historical Commission</u>	<u>Vital Statistics Preservation</u>	<u>Jury Fund</u>
\$ 31,993	\$ 4,351	\$ 20,483	\$ 2,251	\$ 1,563	\$ 43,479
149				11	
<u>\$ 32,142</u>	<u>\$ 4,351</u>	<u>\$ 20,483</u>	<u>\$ 2,251</u>	<u>\$ 1,574</u>	<u>\$ 43,479</u>
\$	\$	\$	\$	\$	\$
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
32,142	4,351	20,483	2,251	1,574	43,479
<u>32,142</u>	<u>4,351</u>	<u>20,483</u>	<u>2,251</u>	<u>1,574</u>	<u>43,479</u>
<u>\$ 32,142</u>	<u>\$ 4,351</u>	<u>\$ 20,483</u>	<u>\$ 2,251</u>	<u>\$ 1,574</u>	<u>\$ 43,479</u>

EASTLAND COUNTY, TEXAS

COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

September 30, 2017

	<u>Dist. Court Records Preservation</u>	<u>Court Technology</u>	<u>District Clerk Record Archival</u>	<u>Sheriff's Seizure Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 22,879	\$ 11,451	\$ 9,884	\$ 1	\$ 1,294,388
Investments					110,000
Other assets					1,934
Due from other funds	198	4	110		2,404
Due from other governments					25,401
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 23,077</u>	<u>\$ 11,455</u>	<u>\$ 9,994</u>	<u>\$ 1</u>	<u>\$ 1,434,127</u>
LIABILITIES AND FUND EQUITIES					
Liabilities:					
Accounts payable	\$	\$ 507	\$ 2	\$	\$ 21,430
Accrued wages					77,064
Due to other governments					0
Unearned revenue					13,609
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>0</u>	<u>507</u>	<u>2</u>	<u>0</u>	<u>112,103</u>
Fund Balances:					
Restricted	23,077	10,948	9,992	1	1,116,474
Assigned					205,550
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>23,077</u>	<u>10,948</u>	<u>9,992</u>	<u>1</u>	<u>1,322,024</u>
Total Liabilities and Fund Balance	<u>\$ 23,077</u>	<u>\$ 11,455</u>	<u>\$ 9,994</u>	<u>\$ 1</u>	<u>\$ 1,434,127</u>

EASTLAND COUNTY, TEXAS

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

For the Year Ended September 30, 2017

	Adult Probation	Cooperative Dispatch	Constable LEOSE	County Clerk Record Archival	County Clerk Records Management
REVENUES:					
Grants and contributions	\$ 192,387	\$	\$	\$	\$
Charges for services	390,296	495,391		38,040	38,860
Fines and forfeitures					
Interest	2,422	118	68	792	722
Other	27,296		683		
Total Revenues	<u>612,401</u>	<u>495,509</u>	<u>751</u>	<u>38,832</u>	<u>39,582</u>
EXPENDITURES:					
Current:					
General government					
Judicial and legal	658,429				42,136
Public safety		457,374	290		
Public facilities					
Health and welfare					
Total Expenditures	<u>658,429</u>	<u>457,374</u>	<u>290</u>	<u>0</u>	<u>42,136</u>
Excess (Deficit) Revenues Over Expenditures	<u>(46,028)</u>	<u>38,135</u>	<u>461</u>	<u>38,832</u>	<u>(2,554)</u>
OTHER FINANCING SOURCES:					
Transfers in (out)		(11,077)	5,300		
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing Uses	<u>(46,028)</u>	<u>27,058</u>	<u>5,761</u>	<u>38,832</u>	<u>(2,554)</u>
Fund Balance, Beginning of Year	280,957	127,729	8,357	89,446	102,047
Fund Balance, End of Year	<u>\$ 234,929</u>	<u>\$ 154,787</u>	<u>\$ 14,118</u>	<u>\$ 128,278</u>	<u>\$ 99,493</u>

<u>County Farm</u>	<u>Courthouse Security</u>	<u>D.A. E.C.C.C.</u>	<u>D.A. Forfeiture</u>	<u>D.A. LEOSE</u>	<u>D.A. State Allocation</u>
\$	\$ 34,500	\$	\$	\$ 801	\$ 18,333
	16,919	3,428			
	209	173	6,267		12
<u>1,117</u>	<u>755</u>	<u>173</u>	<u>1,480</u>		
<u>1,326</u>	<u>52,174</u>	<u>3,601</u>	<u>7,747</u>	<u>801</u>	<u>18,345</u>
		4,980	34,993		27,500
	161,601			312	
<u>11,231</u>	<u>161,601</u>	<u>4,980</u>	<u>34,993</u>	<u>312</u>	<u>27,500</u>
<u>11,231</u>	<u>161,601</u>	<u>4,980</u>	<u>34,993</u>	<u>312</u>	<u>27,500</u>
<u>(9,905)</u>	<u>(109,427)</u>	<u>(1,379)</u>	<u>(27,246)</u>	<u>489</u>	<u>(9,155)</u>
	115,845				
<u>(9,905)</u>	<u>6,418</u>	<u>(1,379)</u>	<u>(27,246)</u>	<u>489</u>	<u>(9,155)</u>
<u>58,417</u>	<u>72,039</u>	<u>25,860</u>	<u>226,894</u>	<u>1,052</u>	<u>9,687</u>
<u>\$ 48,512</u>	<u>\$ 78,457</u>	<u>\$ 24,481</u>	<u>\$ 199,648</u>	<u>\$ 1,541</u>	<u>\$ 532</u>

EASTLAND COUNTY, TEXAS

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

For the Year Ended September 30, 2017

	Dist. Clerk Records Management & Preservation	Election Service	Justice Court Technology	Juvenile Probation	Law Library
REVENUES:					
Grants and contributions	\$	\$	\$	\$ 211,419	\$
Charges for services	2,332		9,345		8,260
Fines and forfeitures				320	
Interest	120	65	511	409	545
Other		8,320			
	<u>2,452</u>	<u>8,385</u>	<u>9,856</u>	<u>212,148</u>	<u>8,805</u>
Total Revenues					
EXPENDITURES:					
Current:					
General government		13,378			
Judicial and legal			12,062	252,172	5,075
Public safety					
Public facilities					
Health and welfare					
	<u>0</u>	<u>13,378</u>	<u>12,062</u>	<u>252,172</u>	<u>5,075</u>
Total Expenditures					
Excess (Deficit) Revenues Over Expenditures	<u>2,452</u>	<u>(4,993)</u>	<u>(2,206)</u>	<u>(40,024)</u>	<u>3,730</u>
OTHER FINANCING SOURCES:					
Transfers in (out)					
	<u>2,452</u>	<u>(4,993)</u>	<u>(2,206)</u>	<u>(40,024)</u>	<u>3,730</u>
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing Uses					
Fund Balance, Beginning of Year	<u>16,004</u>	<u>11,744</u>	<u>79,766</u>	<u>46,420</u>	<u>76,057</u>
Fund Balance, End of Year	<u>\$ 18,456</u>	<u>\$ 6,751</u>	<u>\$ 77,560</u>	<u>\$ 6,396</u>	<u>\$ 79,787</u>

<u>Records Management and Preservation</u>	<u>Sheriff's LEOSE</u>	<u>Sheriff's Commissary</u>	<u>Historical Commission</u>	<u>Vital Statistics Preservation</u>	<u>Jury Fund</u>
\$ 11,568	\$ 3,069	\$ 37,629	\$ 15	\$ 877	\$
214		206		17	242
<u>11,782</u>	<u>3,069</u>	<u>37,835</u>	<u>15</u>	<u>894</u>	<u>8,763</u>
19,110			487	2,357	12,476
	2,023	39,161			
<u>19,110</u>	<u>2,023</u>	<u>39,161</u>	<u>487</u>	<u>2,357</u>	<u>12,476</u>
<u>(7,328)</u>	<u>1,046</u>	<u>(1,326)</u>	<u>(472)</u>	<u>(1,463)</u>	<u>(3,471)</u>
	<u>(5,300)</u>				<u>20,000</u>
<u>(7,328)</u>	<u>(4,254)</u>	<u>(1,326)</u>	<u>(472)</u>	<u>(1,463)</u>	<u>16,529</u>
<u>39,470</u>	<u>8,605</u>	<u>21,809</u>	<u>2,723</u>	<u>3,037</u>	<u>26,950</u>
<u>\$ 32,142</u>	<u>\$ 4,351</u>	<u>\$ 20,483</u>	<u>\$ 2,251</u>	<u>\$ 1,574</u>	<u>\$ 43,479</u>

EASTLAND COUNTY, TEXAS

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

For the Year Ended September 30, 2017

	Dist. Court Records Preservation	Court Technology	District Clerk Record Archival	Sheriff's Seizure Fund	Total Nonmajor Governmental Funds
REVENUES:					
Grants and contributions	\$	\$	\$	\$	\$ 460,524
Charges for services	3,494	2,157	1,952		1,060,548
Fines and forfeitures					6,587
Interest	147	74	71	4	9,376
Other					46,179
Total Revenues	<u>3,641</u>	<u>2,231</u>	<u>2,023</u>	<u>4</u>	<u>1,583,214</u>
EXPENDITURES:					
Current:					
General government		507			16,729
Judicial and legal			2,133	2,011	1,073,077
Public safety					499,160
Public facilities					161,601
Health and welfare					11,231
Total Expenditures	<u>0</u>	<u>507</u>	<u>2,133</u>	<u>2,011</u>	<u>1,761,798</u>
Excess (Deficit) Revenues Over Expenditures	<u>3,641</u>	<u>1,724</u>	<u>(110)</u>	<u>(2,007)</u>	<u>(178,584)</u>
OTHER FINANCING SOURCES:					
Transfers in (out)					124,768
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing Uses	<u>3,641</u>	<u>1,724</u>	<u>(110)</u>	<u>(2,007)</u>	<u>(53,816)</u>
Fund Balance, Beginning of Year	<u>19,436</u>	<u>9,224</u>	<u>10,102</u>	<u>2,008</u>	<u>1,375,840</u>
Fund Balance, End of Year	<u>\$ 23,077</u>	<u>\$ 10,948</u>	<u>\$ 9,992</u>	<u>\$ 1</u>	<u>\$ 1,322,024</u>

*SUPPLEMENTARY INFORMATION - COMBINING FINANCIAL STATEMENTS
FIDUCIARY FUNDS*

EASTLAND COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUNDS

September 30, 2017

	County Clerk	District Clerk	Unclaimed Property Fund	Fees Clearing Account
ASSETS:				
Cash and cash equivalents	\$ 15,688	\$ 45,550	\$ 11,017	\$ 103,128
Certificates of deposit and savings				
Due from others				11,949
Total Assets	15,688	45,550	11,017	115,077
LIABILITIES:				
Accrued liabilities				115,077
Due to others	15,688	45,550	11,017	
Bonds held in trust				
Total Liabilities	15,688	45,550	11,017	115,077
NET POSITION:				
Unrestricted	\$ 0	\$ 0	\$ 0	\$ 0

<u>District Clerk Court Fund</u>	<u>Sheriff's Fund</u>	<u>District Registry Fund</u>	<u>District Clerk Trustee Funds</u>	<u>District Attorney Hot Check Fund</u>	<u>District Attorney Trustee Seizure Fund</u>
\$ 263,758	\$ 2,001	\$ 987,932	\$ 66,076	\$ 4,464	\$ 76,097
<u>263,758</u>	<u>2,001</u>	<u>987,932</u>	<u>66,076</u>	<u>4,464</u>	<u>76,097</u>
263,758	2,001	987,932	66,076	4,464	76,097
<u>263,758</u>	<u>2,001</u>	<u>987,932</u>	<u>66,076</u>	<u>4,464</u>	<u>76,097</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

EASTLAND COUNTY, TEXAS

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

September 30, 2017

	Sheriff's Inmate Fund	Tax Collector VIT Account	Tax Collector Ad Valorem Fund	Tax Collector Auto Fund
ASSETS:				
Cash and cash equivalents	\$ 50,731	\$ 66,411	\$ 23,487	\$ 272,294
Certificates of deposit and savings				
Due from others				
Total Assets	50,731	66,411	23,487	272,294
LIABILITIES:				
Accrued liabilities				
Due to others	50,731	66,411	23,487	272,294
Bonds held in trust				
Total Liabilities	50,731	66,411	23,487	272,294
NET POSITION:				
Unrestricted	\$ 0	\$ 0	\$ 0	\$ 0

Justice of the Peace #1	Justice of the Peace #2	Justice of the Peace #4	Adult Supervision and Correction Fund	Total Agency Funds
\$ 13,543	\$ 10,025	\$ 241	\$ 103	\$ 1,870,373
<u>234</u>				<u>142,173</u>
<u>13,777</u>	<u>10,025</u>	<u>241</u>	<u>103</u>	<u>2,024,729</u>
12,899	215	241	103	115,292
<u>878</u>	<u>8,956</u>			<u>1,907,705</u>
<u>13,777</u>	<u>10,025</u>	<u>241</u>	<u>103</u>	<u>2,024,729</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

INTERNAL CONTROLS SECTION

June 26, 2018

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eastland County, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Eastland County, Texas' basic financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastland County, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Condly and Company, L.L.P.

Certified Public Accountants

June 26, 2018

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

**Independent Auditor's Report on Compliance for each Major Federal Program and on
Internal Control Over Compliance Required by the Uniform Guidance**

Report on Compliance for each Major Federal Program

We have audited Eastland County, Texas' (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Condly and Company, L.L.P.

Certified Public Accountants

EASTLAND COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2017

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued? Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One of more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal/State Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster
97.036 Disaster Grants - Public Assistance

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

None

C. Federal/State Award Findings and Questioned Costs

None

EASTLAND COUNTY, TEXAS

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2017

N/A – No single audit was performed in 2016.

EASTLAND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS

For the Year Ended September 30, 2017

Federal/State Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Expenditures
<u>EXPENDITURES OF FEDERAL AWARDS</u>				
<u>DEPARTMENT OF HOMELAND SECURITY</u>				
Texas Department of Public Safety Division of Emergency Management	97.036		\$ 27,856	\$ 1,147,560
TOTAL DEPARTMENT OF HOMELAND SECURITY			<u>27,856</u>	<u>1,147,560</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Texas Department of Agriculture	14.228			<u>54,106</u>
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>54,106</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 27,856.00</u></u>	<u><u>\$ 1,201,666</u></u>

EASTLAND COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS

For the Year Ended September 30, 2017

Federal/State Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Pass-Through to Subrecipient	Expenditures
<u>EXPENDITURES OF STATE AWARDS</u>				
<u>TEXAS DEPT OF CRIMINAL JUSTICE /TEXAS JUVENILE JUSTICE DEPT</u>				
Basic Supervision	N/A	FY 2017	\$	\$ 140,687
Community Corrections Program	N/A	FY 2017		51,700
State Aid	N/A	FY 2017		137,283
Regionalization	N/A	FY 2017		<u>19,820</u>
TOTAL TEXAS DEPT OF CRIMINAL JUSTICE /TEXAS JUVENILE JUSTICE DEPT				<u>349,490</u>
<u>TEXAS STATE COMPTROLLER</u>				
Lateral Road	N/A	FY 2017		27,415
Capital Credits Unclaimed Funds	N/A	FY 2017		<u>6,768</u>
TOTAL TEXAS STATE COMPTROLLER				<u>34,183</u>
<u>TEXAS DEPARTMENT OF JUDICIARY</u>				
DA Longevity	N/A	FY 2017		7,580
DA Salary Supplement	N/A	FY 2017		4,380
Jury Reimbursement	N/A	FY 2017		1,946
County Judge	N/A	FY 2017		<u>20,579</u>
TOTAL TEXAS DEPARTMENT OF JUDICIARY				<u>34,485</u>
<u>TEXAS DEPARTMENT OF STATE HEALTH SERVICES</u>				
Tobacco Settlement	N/A	FY 2017		<u>14,876</u>
TOTAL TX DEPARTMENT OF TRANSPORTATION				<u>14,876</u>
<u>TEXAS TASK FORCE ON INDIGENT DEFENSE</u>				
Indigent Defense	N/A	FY 2017		<u>24,293</u>
TOTAL TEXAS TASK FORCE ON INDIGENT DEFENSE				<u>24,293</u>
<u>TEXAS OFFICE OF THE ATTORNEY GENERAL</u>				
SAVNS Maintenance Contract	N/A	FY 2017		<u>6,203</u>
TOTAL TEXAS OFFICE OF THE ATTORNEY GENERAL				<u>6,203</u>
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>				
County Transportation Infrastructure Fund	N/A	FY 2017		<u>8,405</u>
TOTAL TEXAS DEPARTMENT OF TRANSPORTATION				<u>8,405</u>
TOTAL EXPENDITURES OF STATE AWARDS			\$ -	<u>\$ 471,935</u>

EASTLAND COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL/STATE AWARDS

For the Year Ended September 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal/state awards includes the federal/state award activity of Eastland County under programs of the federal/state government for the year ended September 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments, and Non-Profit Organizations; and the State of Texas Single Audit Circular. Because the Schedule presents only a selected portion of the operations of Eastland County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Eastland County.

1. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

2. Indirect Cost Rate

The 10% de minimis cost rate as permitted in the UG, Section 200.414 is used.