

ROBERTS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED
SEPTEMBER 30, 2016

ROBERTS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2016

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PART I
INTRODUCTORY SECTION

ROBERTS COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2016

Rick Tennant	County Judge
Cleve Wheeler	Commissioner, Precinct #1
Ken Gill	Commissioner, Precinct #2
Kelly Flowers	Commissioner, Precinct #3
James Duvall	Commissioner, Precinct #4
Steven R. Emmert	Judge, 31 st Judicial District
Franklin McDonough	District Attorney
Toni Rankin	District/County Clerk
William Weiman	County Attorney
Hether Williams	County Tax Assessor/Collector
Amy Tennant	County Treasurer
Dana Miller	County Sheriff
Tresa Seuhs	Justice of the Peace

PART II
FINANCIAL SECTION



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Roberts 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 Roberts County, Texas as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Roberts County, Texas, as of September 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule, the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions on pages 31 – 35 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.

The County has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The MD&A, 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. The independent auditors' opinion is not affected by the omission of the MD&A.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Roberts County, Texas' basic financial statements. The combining non-major and agency fund financial statements listed under other supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major and agency fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 March 10, 2017, on our consideration of Roberts 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 Roberts County, Texas' internal control over financial reporting and compliance.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC
March 10, 2017

BASIC FINANCIAL STATEMENTS

ROBERTS COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,706,099
Investments	6,387,257
Accounts receivable, net	29,559
Delinquent taxes receivable, net	42,805
Due from other governmental entities	3,296
Prepaid expenses	37,068
Capital assets, net of accumulated depreciation	7,111,054
Total assets	20,317,138
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	89,818
Pension economic/demographic losses	30,604
Pension deficient earnings	329,398
Pension assumption changes	47,367
Total deferred outflows of resources	497,187
LIABILITIES	
Accounts payable	66,054
Due to other governmental entities	17,894
Deferred revenues	28,333
Net pension liability	208,720
Noncurrent liabilities:	
Due in one year	4,100
Due in more than one year	36,627
Total liabilities	361,728
NET POSITION	
Net investment in capital assets	7,111,054
Restricted:	
By enabling legislations for special projects	81,303
Special projects	197,251
Unrestricted	13,062,989
Total net position	\$ 20,452,597

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

ROBERTS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Primary</u>
					<u>Government</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government					
Governmental Activities:					
Administrative	\$ 1,016,036	\$ 3,734	\$ -	\$ -	\$ (1,012,302)
Judicial	441,509	62,559	51,947	-	(327,003)
Elections	14,836	830	-	-	(14,006)
Public facilities	471,190	10,697	9,295	-	(451,198)
Public safety	688,583	51,628	46,474	-	(590,481)
Road and bridge	2,191,116	83,730	-	400,510	(1,706,876)
Public service	213,828	-	-	-	(213,828)
	<u>213,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(213,828)</u>
Total	<u>\$ 5,037,098</u>	<u>\$ 213,178</u>	<u>\$ 107,716</u>	<u>\$ 400,510</u>	<u>(4,315,694)</u>
General revenues:					
Taxes:					
Property taxes, levied for general purposes					3,429,694
Property taxes, levied for road and bridge					1,256,889
Payments in lieu of taxes					456,950
Investment earnings					79,434
Miscellaneous					218,659
					<u>218,659</u>
Total general revenues					<u>5,441,626</u>
Change in net position					1,125,932
Net position - beginning					20,031,548
Prior period restatement					<u>(704,883)</u>
Net position - beginning, as restated					<u>19,326,665</u>
Net position - ending					<u>\$ 20,452,597</u>

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

ROBERTS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General	Road and Bridge	Non-Major Governmental	Total Governmental
ASSETS				
Cash and cash equivalents	\$ 4,178,647	\$ 2,216,872	\$ 310,580	\$ 6,706,099
Investments	6,033,213	-	354,044	6,387,257
Accounts receivable, net	29,559	-	-	29,559
Taxes receivable, net	31,286	11,519	-	42,805
Due from other funds	131	1,826	7,919	9,876
Due from other governments	393	2,903	-	3,296
Prepaid expenditures	37,068	-	-	37,068
	\$ 10,310,297	\$ 2,233,120	\$ 672,543	\$ 13,215,960
LIABILITIES				
Accounts payable	\$ 23,417	\$ 42,637	\$ -	\$ 66,054
Due to other funds	9,745	-	131	9,876
Due to other governmental entities	17,885	9	-	17,894
Deferred revenue	28,333	-	-	28,333
	79,380	42,646	131	122,157
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	31,000	11,419	-	42,419
Unavailable revenue - other receivables	43,612	-	-	43,612
	74,612	11,419	-	86,031
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	37,068	-	-	37,068
Restricted:				
Special projects	-	-	197,251	197,251
By enabling legislation for special projects	-	-	81,303	81,303
Committed for:				
Road & bridge	-	2,179,055	-	2,179,055
Special projects	-	-	393,858	393,858
Unassigned	10,119,237	-	-	10,119,237
	10,156,305	2,179,055	672,412	13,007,772
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,310,297	\$ 2,233,120	\$ 672,543	\$ 13,215,960

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

ROBERTS COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$	13,007,772
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		7,111,054
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred and shown as unavailable revenues in the fund financial statements.		86,031
Pension losses, deficient earnings, and assumption changes are shown as deferred outflows of resources in the government-wide financial statements.		
Pension economic/demographic losses		30,604
Pension deficient earnings		329,398
Pension assumption changes		47,367
Pension contributions paid after the measurement date, December 31, 2015, and before September 30, 2016 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		
Pension contributions		89,818
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:		
Accrued compensated absences		(40,727)
Net pension liability		(208,720)
		(208,720)
Net position - governmental activities	\$	20,452,597

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

ROBERTS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>General</u>	<u>Road and Bridge</u>	<u>Non-Major Gaovernmental</u>	<u>Total Governmental</u>
REVENUES				
Property taxes	\$ 3,435,395	\$ 1,259,098	\$ -	\$ 4,694,493
Payments in lieu of taxes	-	456,950	-	456,950
Licenses and fees	192,507	25,357	11,032	228,896
Intergovernmental	98,422	400,509	-	498,931
Investment earnings	61,947	13,255	4,232	79,434
Miscellaneous	175,809	41,213	10,932	227,954
	<u>3,964,080</u>	<u>2,196,382</u>	<u>26,196</u>	<u>6,186,658</u>
Total revenues				
EXPENDITURES				
Current:				
Administrative	889,733	-	-	889,733
Judicial	432,069	-	2,766	434,835
Elections	14,835	-	-	14,835
Public facilities	430,379	-	23,756	454,135
Public safety	620,715	-	4,941	625,656
Road and bridge	-	1,930,474	-	1,930,474
Public service	203,535	-	309	203,844
Capital outlay	602,937	56,188	-	659,125
	<u>3,194,203</u>	<u>1,986,662</u>	<u>31,772</u>	<u>5,212,637</u>
Total expenditures				
EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES	<u>769,877</u>	<u>209,720</u>	<u>(5,576)</u>	<u>974,021</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	136,000	-	-	136,000
Transfers in	31,150	-	245,863	277,013
Transfers out	(245,863)	(31,150)	-	(277,013)
	<u>(78,713)</u>	<u>(31,150)</u>	<u>245,863</u>	<u>136,000</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCES	691,164	178,570	240,287	1,110,021
FUND BALANCES - BEGINNING	<u>9,465,141</u>	<u>2,000,485</u>	<u>432,125</u>	<u>11,897,751</u>
FUND BALANCES - ENDING	<u>\$ 10,156,305</u>	<u>\$ 2,179,055</u>	<u>\$ 672,412</u>	<u>\$ 13,007,772</u>

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

ROBERTS COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds:	\$	1,110,021
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> <p>This is the amount by which capital outlays, \$659,125, were exceeded by depreciation, \$417,088, in the current period.</p>		
		242,037
<p>In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital asset sold.</p>		
		(156,882)
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenues.</p>		
		(23,628)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>		
Compensated absences, net change		(8,616)
Deferred outflows of resources:		
Pension contributions		9,493
Pension economic/demographic loss		(11,986)
Pension deficient earnings		281,916
Pension assumption changes		47,367
Net pension asset, net change		(155,070)
Net pension liability, net change		(208,720)
		(208,720)
Change in net position - governmental activities	\$	1,125,932

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

ROBERTS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	ASSETS	Permanent School Private-Purpose Trust Fund	Agency Funds
		<u> </u>	<u> </u>
Cash and cash equivalents		\$ 178,399	\$ 24,399
		<u> </u>	<u> </u>
Total assets		<u>\$ 178,399</u>	<u>\$ 24,399</u>
	LIABILITIES		
Accounts payable		\$ -	\$ 1,176
Due to other governments		899	12,396
Deposits		<u>-</u>	<u>10,827</u>
		<u> </u>	<u> </u>
Total liabilities		<u>899</u>	<u>\$ 24,399</u>
	NET POSITION		
Net position held in trust for school benefits		<u>\$ 177,500</u>	

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

ROBERTS COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Permanent School Private-Purpose Trust Fund
ADDITIONS	
Investment earnings:	
Interest	\$ 899
Total additions	899
DEDUCTIONS	
Miscellaneous expense	899
Total deductions	899
Change in net position	-
Net position - beginning	177,500
Net position - ending	\$ 177,500

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

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Roberts County, Texas (County) have been prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles)(GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. Financial Reporting Entity

The County, incorporated in 1889, is a public corporation and political subdivision of the State of Texas. The County is governed by the Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County provides a variety of services to advance the welfare, morale, comfort, safety and convenience of the County and its citizens.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing the County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, but also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either, it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-like activities*, which rely to a significant extent on fees and charges for support.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

The Statement of Activities demonstrates the degree to which the direct expenses of the County’s programs are offset by those programs’ revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Taxes and other items not included among program revenue are reported instead as *general revenue*. In miscellaneous general revenues are non-program specific contributions including capital assets contributions.

Fiduciary funds are excluded in the government-wide presentation of the financial statements.

Fund-Level Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Grant and entitlement revenues are also susceptible to accrual. These funds are accounted for on a spending “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Any proprietary funds, including internal service funds, and fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus.

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The County reports the following major governmental funds:

The **General Fund** is the general operating fund of the County. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for administrative, judicial, public facilities, public safety, public service, and capital acquisition.

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

Fund-Level Statements – Continuation

The **Road and Bridge Fund** is a special revenue fund used to account for the revenues derived from property taxes and license fees levied for purposes of road and bridge expenditures.

Fiduciary fund level financial statements include fiduciary funds which are classified into private purpose trust and agency funds.

The County reports the following fiduciary funds:

The **Permanent School Private-Purpose Trust Fund** accounts for the investment income received on investments the County owns. The revenue is required by law to be distributed to the school district within the County, while the initial investment is required to be held as the principal investment for the benefit of the school district.

The **Agency Funds** are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. Use of Restricted Assets

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, deposits within public fund investment pools and highly liquid investments with an original maturity of three months or less when purchased. Statutes authorize the County to keep funds in demand deposits, time deposits, or securities of the United States. The County's custodial banks are required to pledge for the purpose of securing County funds, securities of the following kind, in an amount equal to the amount of such County funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes.

The County is required by Government Code Chapter 2256, The Public Funds Investment Act ("Act"), to adopt, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity's funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment policies. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the area of investment practices, management has established and reported appropriate policies. The County adheres to the requirements of the Act. Additionally, investment practices of the County are in accordance with local policies.

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables revenues at the time all eligibility requirements established by the provider have been met.

Charges for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$153,723.

Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year. Tax collections during the months of October through December are entitled to discounts offered by the County. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levies are shown net of an allowance for uncollectible accounts of \$76,098.

4. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

5. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. The County has opted not to retroactively report infrastructure assets (assets acquired prior to October 1, 2003). According to the County’s capitalization policy, capital assets, such as equipment, are defined as individual assets (or systems of assets) having a cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	40 years
Machinery and equipment	5 - 20 years

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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 so will *not* be recognized as an outflow or resources (expense/expenditure) until then. The government has multiple items that qualify for reporting in this category. They are the contributions and other items related to the County’s pension plan reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The government has one item that qualifies for reporting in this category. That item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

7. Compensated Absences – Continuation

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

The County provides compensated vacation leave for all full-time regular employees. Employees earn the vacation leave on a per month basis of employment and earn greater amounts for long-term employment with the County. The maximum amount of unused vacation an employee is allowed to have at one time is the amount the employee would normally earn in one year at that employee's current accrued rate. Employees are not allowed to receive pay for vacation in lieu of taking time off except upon termination of employment with the County.

Sick leave accrues at a rate of one day per month, and may be accumulated up to sixty days. No unused sick leave will be paid upon termination.

8. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Texas County and District Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable forms, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, and prepaid amounts.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority, the Commissioners' Court. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation

9. Fund Balances – Continuation

Assigned Fund Balance – includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Commissioners’ Court or (b) a body (budget, finance committee, or County Official) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as nonspendable, restricted or committed.

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

10. Net Position

In the government-wide financial statements, equity is classified as net position and displayed in three categories.

Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted Net Position – This amount includes all net positions that do not meet the definition of “net investment in capital assets” or “restricted net position.”

11. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. Implementation of New Standards

The County implemented Governmental Accounting Standards Board (GASB) No. 77, *Tax Abatement Disclosures*. This standard requires governments that enter into tax abatement agreements to disclose the following information about the agreements: 1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients, 2) the gross dollar amount of taxes abated during the period, and 3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

1. Prior to September 1, the proposed budget is submitted to the Commissioners' Court.
2. The Commissioners' Court provides for a public hearing on the County budget subsequent to August 15, and prior to the levy of taxes by the Commissioners' Court.
3. Prior to October 1, the budget is legally adopted by order of the Commissioners' Court for the General Fund and Road and Bridge Special Revenue Fund.
4. The budget is prepared by fund and department with the legal level of control at the department level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Court as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Commissioners' Court. The Court has the authority to make such changes in the budget, in its judgment of facts, the law warrant, and the interest of the taxpayers demand, provided the amounts budgeted for the current expenditures from the various funds for the County do not exceed appropriations, including fund balances from the prior fiscal periods. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for the General Fund and Road and Bridge Special Revenue Fund.
5. Budgets for the General Fund and Road and Bridge Fund are adopted on a basis consistent with GAAP on the modified accrual basis of accounting on an annual basis.
6. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund and Road and Bridge Special Revenue Fund.
7. All appropriations, except those in grant funds, lapse at the end of the County's fiscal year and may be re-budgeted the next year.

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County’s cash and deposit balances as of September 30, 2016:

Cash and deposit balances consist of:

Bank deposits	\$	6,869,361
Temporary investments - TexPool		39,536
		6,908,897
Total	\$	6,908,897

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:		
Unrestricted	\$	6,706,099
Fiduciary Funds Statement of Net Position		202,798
		6,908,897
Total	\$	6,908,897

As of September 30, 2016, the County had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Governmental Activities		
Certificates of deposit (interest rates at 0.25% - 1.10%)	\$ 6,387,257	479
	6,387,257	479
Total fair value	\$ 6,387,257	479
Portfolio weighted average maturity		479

Custodial credit risk – deposits. As of September 30, 2016, the carrying amount of the County's deposits with financial institutions was \$13,256,618 and the bank's balance was \$13,402,579. Of the bank balance, \$272,615 was insured through the Federal Depository Insurance Corporation (FDIC) and \$13,129,964 was collateralized with securities held by the pledging institution’s agent in the County’s name.

As of September 30, 2016, the County had \$39,536 invested with the Texas Treasury Safekeeping Trust Company (TexPool). TexPool is a public funds investment pools created pursuant to the Interlocal Cooperation Act of the State of Texas. The State Comptroller of Public Accounts exercises oversight responsibility over both funds. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally the State Comptroller has established an advisory board composed of both participants of the pools and other persons who do not have a business relationship with either pool. The advisory board members review the investment policy and management fee structure.

The investment pool operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. Both pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the pools is the same as the value of the shares.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The County manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, readily available TexPool shares, or in certificates of deposit with weighted average maturities of two years or less.

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and County policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single insurer. As of September 30, 2016, virtually all of the County's carrying value of cash deposited with the County's depository banks and was adequately secured as described above.

NOTE 4 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$.80 on each \$100 of assessed valuation. The tax rate on the 2015 tax roll was \$.42299 per \$100, which means that the County has a tax margin of \$.37701 per \$100 and could raise up to \$3,165,163 additional revenue from the 2015 assessed valuation of \$839,543,492 before the limit is reached.

The State of Texas Constitutional tax rate limit for the maintenance of farm-to-market roads is \$.30 on each \$100 of assessed valuation. The tax rate on the 2015 tax roll was \$.15511 per \$100, which means that the County has a tax margin of \$.14489 per \$100 and could raise up to \$1,215,741 additional revenue from the 2015 assessed valuation of \$839,078,742 before the limit is reached.

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received in October through December are entitled to discounts offered by the County. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 – CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classification by function. As stated earlier, the County has opted not to report its infrastructure retroactively.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 36,682	\$ -	\$ -	\$ 36,682
Construction in progress	74,186	2,492	(76,678)	-
Total capital assets, not being depreciated	110,868	2,492	(76,678)	36,682
Capital assets, being depreciated:				
Buildings and improvements	4,625,558	76,678	-	4,702,236
Machinery and equipment	4,180,783	656,632	(237,300)	4,600,115
Total capital assets, being depreciated	8,806,341	733,310	(237,300)	9,302,351
Less accumulated depreciation for:				
Buildings and improvements	(488,730)	(116,056)	-	(604,786)
Machinery and equipment	(1,402,579)	(301,032)	80,418	(1,623,193)
Total accumulated depreciation	(1,891,309)	(417,088)	80,418	(2,227,979)
Total capital assets, being depreciated, net	6,915,032	316,222	(156,882)	7,074,372
Governmental activities capital assets, net	\$ 7,025,900	\$ 318,714	\$ (233,560)	\$ 7,111,054

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 5 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended September 30, 2016 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Administrative	\$ 116,915
Judicial	1,681
Public safety	56,600
Public service	8,222
Public facilities	15,775
Road and bridge	<u>217,895</u>
 Total Depreciation Expense	 <u><u>\$ 417,088</u></u>

NOTE 6 – RETIREMENT PLAN

Plan Description: Roberts County provides retirement and death benefits for all of its employees, except temporary 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 several 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 and is available at www.tcdrs.org.

Benefits Provided: The plan provisions are adopted by the governing body of the County (employer), 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, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

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 County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees Covered by Benefit Terms: At September 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	16
Active employees	44

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 – RETIREMENT PLAN – Continuation

Contributions: The County 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 County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually.

The County contributed using the actuarially determined rate of 7.37% for the months of the accounting year in 2015 and 7.30% for the months of the accounting year in 2016. The contribution rate payable by the employee members is 7.0% for fiscal year 2016 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 County within the options available in the TCDRS Act.

Net Pension Liability: The County’s net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8%, net of investment expenses, including inflation
Cost-of-living adjustments	None

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.

The actuarial assumptions that determined the total pension liability as of December 31, 2015 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information are provided by TCDRS’ investment consultant based on January 2016 information for a 7 – 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 – RETIREMENT PLAN – Continuation

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate: The discount rate used to measure the total pension liability was 8.10%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

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

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

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 – RETIREMENT PLAN – Continuation

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

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

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

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

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

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 – RETIREMENT PLAN – Continuation

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances as of December 31, 2014	\$ 4,831,009	\$ 4,986,079	\$ (155,070)
Changes for the year:			
Service cost	173,686	-	173,686
Interest on total pension liability (1)	388,299	-	388,299
Effect of plan changes (2)	(21,048)	-	(21,048)
Effect of economic/demographic gains or losses	2,948	-	2,948
Effect of assumptions changes or inputs	63,156	-	63,156
Refund of contributions	(21,870)	(21,870)	-
Benefit payments	(269,796)	(269,796)	-
Administrative expenses	-	(3,571)	3,571
Member contributions	-	105,789	(105,789)
Net investment income	-	36,825	(36,825)
Employer contributions	-	111,380	(111,380)
Other (3)	-	(7,172)	7,172
	<u>5,146,384</u>	<u>4,937,664</u>	<u>208,720</u>
Balances as of December 31, 2015	<u>\$ 5,146,384</u>	<u>\$ 4,937,664</u>	<u>\$ 208,720</u>

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

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

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

Sensitivity of the net pension liability / (asset) 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's net pension liability / (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
	<u>7.10%</u>	<u>8.10%</u>	<u>9.10%</u>
Total pension liability	\$ 5,678,361	\$ 5,146,384	\$ 4,691,323
Fiduciary net position	<u>4,937,664</u>	<u>4,937,664</u>	<u>4,937,664</u>
Net pension liability / (asset)	<u>\$ 740,697</u>	<u>\$ 208,720</u>	<u>\$ (246,341)</u>

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 – RETIREMENT PLAN – Continuation

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS financial report.

Pension Expense / (Income):

	January 1, 2015 to December 31, 2015
Service cost	\$ 173,686
Interest on total pension liability (1)	388,299
Effect of plan changes	(21,048)
Administrative expenses	3,571
Member contributions	(105,789)
Expected investment return net of investment expenses	(404,058)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	14,933
Recognition of assumption changes or inputs	15,789
Recognition of investment gains or losses	85,317
Other (2)	7,172
Pension expense / (income)	\$ 157,872

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

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

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 30,604
Changes of assumptions	-	47,367
Net difference between projected and actual earnings	-	329,398
Contributions made subsequent to measurement date	N/A	89,818

Continued

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 6 – RETIREMENT PLAN – Continuation

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

Year ended December 31:	
2015	\$ 116,039
2016	116,039
2017	101,843
2018	73,448
2019	-
Thereafter	-

NOTE 7 – POSTEMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN

Plan Description

Roberts County, Texas participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County & District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GLTF). This optional plan provides group term life insurance coverage to current eligible employees.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Roberts County, Texas contributions to the GTLF for the year ended September 30, 2016, 2015 and 2014, were \$11,032, \$7,575, and \$8,699, respectively, which equaled the contractually required contributions each year.

NOTE 8 – CONCENTRATION OF TAXPAYERS

As of September 30, 2016, the following taxpayers accounted for a significant portion of the County's total tax levy.

<u>Taxpayer</u>	<u>Industry</u>	<u>Tax Amount</u>	<u>Percent of Total Levy</u>
Taxpayer A	Oil & Gas	\$ 1,133,490	23.34 %

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Individual fund Interfund Receivables and Payables

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 131	\$ 9,745
Special Revenue:		
Road and Bridge	1,826	-
Cemetery	-	131
Courthouse Security	3,048	-
Law Library	770	-
Records Management	3,785	-
Records Preservation	316	-
	<u>\$ 9,876</u>	<u>\$ 9,876</u>

The primary purpose of interfund receivables and payables are the reimbursement of the general fund for cash disbursements made on behalf of the Special Revenue funds.

Interfund Transfers

Fund	Interfund Transfers In	Interfund Transfers Out
General Fund	\$ 31,150	\$ 245,863
Special Revenue Funds:		
Road and Bridge	-	31,150
Indigent Healthcare	245,863	-
	<u>\$ 277,013</u>	<u>\$ 277,013</u>

The primary purpose of interfund transfers is to move unrestricted funds from the General Fund to the Special Revenue Funds to supplement the costs of current period expenditures.

NOTE 10 – ACCRUED COMPENSATED ABSENCES

Accrued compensated absences activity for the year ended September 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 32,111	\$ 54,341	\$ (45,725)	\$ 40,727	\$ 4,100

ROBERTS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 11 – TAX ABATEMENTS

The County has entered into a tax abatement agreement which is authorized and governed by the Property Redevelopment and Tax Abatement Act, Chapter 312, Texas Tax Code with Miami Wind I, LLC. The Company is to develop a 70 megawatt wind powered electric generating facility in Roberts County which is to add a minimum of \$1,000,000 to the County’s tax roll. The County will abate 100% of the ad valorem taxes on this development for a period of ten years beginning on January 1, 2015. During this ten year tax abatement period, the Company will pay the County \$2,600 per megawatt of turbine nameplate capacity.

For the fiscal year ended September 30, 2016, Roberts County abated property taxes totaling \$1,244,032 under this program, including the following tax abatement agreements:

- A 100 percent tax abatement to Miami Wind I, LLC for eligible property in the reinvestment zone. The abatement amounted to \$1,244,032.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The County has entered into agreements for servicing and maintaining two copiers, and their related controls. Total lease expenses for 2016 are \$3,712. Commitments under these agreements provide for minimum future payments as of September 30, 2016, as follows:

For Year Ended:		
2017	\$	3,712
2018		2,069
2019		1,268
Total Future Minimum Payments	\$	7,049

NOTE 13 – RISK MANAGEMENT

The County’s major areas of risk management are: public officials’, law enforcement, and automobile liability, general comprehensive liability and property damage, workers’ compensation, and employee health insurance. The County has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The County pays a deductible per incident except on the employee health insurance in which the deductible is the responsibility of the employee. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

NOTE 14 – PROBATION DEPARTMENTS

Community Supervision and Corrections (Adult Probation)

The 31st District CSCD is a joint venture between Wheeler, Roberts, Hemphill and Roberts Counties. The County’s local funding to this department for the year ended September 30, 2016 was \$812. There is not an issued audit opinion on the restitution, probation fees, or any county funding.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

ROBERTS COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES				
Property taxes	\$ 3,494,497	\$ 3,494,497	\$ 3,435,395	\$ (59,102)
Licenses and fees	216,300	216,300	192,507	(23,793)
Intergovernmental	90,533	90,533	98,422	7,889
Investment earnings	25,000	25,000	61,947	36,947
Miscellaneous	1,500	1,500	175,809	174,309
	<u>3,827,830</u>	<u>3,827,830</u>	<u>3,964,080</u>	<u>136,250</u>
EXPENDITURES				
Current:				
Administrative				
Administrative	364,512	316,512	182,678	133,834
Commissioners' Court	223,036	223,036	221,105	1,931
County Judge	224,444	224,444	199,371	25,073
County Treasurer	155,794	155,794	148,004	7,790
Tax Assessor/Collector	157,698	157,698	138,575	19,123
	<u>1,125,484</u>	<u>1,077,484</u>	<u>889,733</u>	<u>187,751</u>
Judicial				
County/District Clerk	164,308	164,308	152,258	12,050
Justice of the Peace	82,040	82,040	75,754	6,286
County Attorney	95,223	95,223	92,324	2,899
District Court	148,890	148,890	111,733	37,157
	<u>490,461</u>	<u>490,461</u>	<u>432,069</u>	<u>58,392</u>
Elections				
Elections	24,350	24,350	14,835	9,515
	<u>24,350</u>	<u>24,350</u>	<u>14,835</u>	<u>9,515</u>
Public facilities				
Custodial and maintenance	254,690	336,190	312,109	24,081
4-County tower	7,965	7,965	2,217	5,748
Airport	5,600	5,600	2,783	2,817
Cemetery	40,200	40,200	29,176	11,024
Museum	41,550	41,550	36,987	4,563
Park	24,800	24,800	13,384	11,416
Pool	74,700	74,700	32,723	41,977
Red Deer Watershed	1,000	1,000	1,000	-
	<u>450,505</u>	<u>532,005</u>	<u>430,379</u>	<u>101,626</u>

Continued

ROBERTS COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Continuation	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current:				
Public safety				
County Sheriff	680,963	680,963	580,861	100,102
Fire department	40,650	40,650	39,854	796
Total public safety	<u>721,613</u>	<u>721,613</u>	<u>620,715</u>	<u>100,898</u>
Public service				
Welfare	10,200	10,200	7,147	3,053
Ag extension service	162,217	162,217	154,403	7,814
Crime Victim's program	42,000	42,000	41,985	15
Total public service	<u>214,417</u>	<u>214,417</u>	<u>203,535</u>	<u>10,882</u>
Capital outlay	<u>801,000</u>	<u>767,500</u>	<u>602,937</u>	<u>164,563</u>
Total expenditures	<u>3,827,830</u>	<u>3,827,830</u>	<u>3,194,203</u>	<u>624,112</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>769,877</u>	<u>760,362</u>
OTHER FINANCING SOURCES				
Proceeds from disposal of assets	-	-	136,000	136,000
Transfers in	-	-	31,150	31,150
Transfers out	-	-	(245,863)	(245,863)
Total other financing sources	<u>-</u>	<u>-</u>	<u>(78,713)</u>	<u>(78,713)</u>
NET CHANGE IN FUND BALANCE	-	-	691,164	691,164
FUND BALANCE - BEGINNING	<u>9,465,141</u>	<u>9,465,141</u>	<u>9,465,141</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 9,465,141</u>	<u>\$ 9,465,141</u>	<u>\$ 10,156,305</u>	<u>\$ 691,164</u>

ROBERTS COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 1,281,300	\$ 1,281,300	\$ 1,259,098	\$ (22,202)
Payments in lieu of taxes	456,950	456,950	456,950	-
Licenses and fees	23,000	23,000	25,357	2,357
Intergovernmental	447,979	320,393	400,509	80,116
Investment earnings	2,000	2,000	13,255	11,255
Miscellaneous	-	-	41,213	41,213
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	2,211,229	2,083,643	2,196,382	112,739
EXPENDITURES				
Current:				
Road and bridge	2,274,725	2,115,449	1,930,474	184,975
Capital outlay	72,504	104,194	56,188	48,006
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	2,347,229	2,219,643	1,986,662	232,981
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<hr/>	<hr/>	<hr/>	<hr/>
	(136,000)	(136,000)	209,720	345,720
OTHER FINANCING SOURCES (USES)				
Transfers in	136,000	136,000	-	(136,000)
Transfers out	-	-	(31,150)	(31,150)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	136,000	136,000	(31,150)	(167,150)
NET CHANGE IN FUND BALANCE				
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	178,570	178,570
FUND BALANCE - BEGINNING				
	<hr/>	<hr/>	<hr/>	<hr/>
	2,000,485	2,000,485	2,000,485	-
FUND BALANCE - ENDING				
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 2,000,485	\$ 2,000,485	\$ 2,179,055	\$ 178,570

ROBERTS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	Year Ended December 31,			
	2015	2014	2013	2012
Total Pension Liability:				
Service cost	\$ 173,686	\$ 148,895	\$ N/A	\$ N/A
Interest on total pension liability (1)	388,299	361,703	N/A	N/A
Effect of plan changes	(21,048)	-	N/A	N/A
Effect of assumption changes or inputs	63,156	-	N/A	N/A
Effect of economic/demographic (gains) or losses	2,948	56,785	N/A	N/A
Benefit payments/refunds of contributions	(291,666)	(252,767)	N/A	N/A
Net change in total pension liability	315,375	314,616	N/A	N/A
Total pension liability, beginning	4,831,009	4,516,393	N/A	N/A
Total pension liability, ending (a)	<u>\$ 5,146,384</u>	<u>\$ 4,831,009</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary Net Position:				
Employer contributions	\$ 111,380	\$ 102,727	\$ N/A	\$ N/A
Member contributions	105,789	99,322	N/A	N/A
Investment income net of investment expenses	36,825	323,770	N/A	N/A
Benefit payments/refunds of contributions	(291,666)	(252,767)	N/A	N/A
Administrative expenses	(3,571)	(3,733)	N/A	N/A
Other	(7,172)	12,278	N/A	N/A
Net change in fiduciary net position	(48,415)	281,597	N/A	N/A
Fiduciary net position, beginning	4,986,079	4,704,482	N/A	N/A
Fiduciary net position, ending (b)	<u>\$ 4,937,664</u>	<u>\$ 4,986,079</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 208,720</u>	<u>\$ (155,070)</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
Fiduciary net position as a % of total pension liability	95.94%	103.21%	N/A	N/A
Pensionable covered payroll	\$ 1,511,265	\$ 1,418,888	\$ N/A	\$ N/A
Net pension liability as a % of covered payroll	13.81%	-10.93%	N/A	N/A

This schedule is presented to show information for 10 years in accordance with the standards of GASB 68. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 68, they have not been shown. Therefore, we have shown only years for which the new standard has been implemented.

ROBERTS COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years

Year Ending December 31:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	\$ 52,097	\$ 52,097	\$ -	\$ 814,013	6.4%
2007	55,440	55,440	-	860,871	6.4%
2008	55,441	55,441	-	977,791	5.7%
2009	60,757	60,757	-	1,067,792	5.7%
2010	77,520	77,520	-	1,061,923	7.3%
2011	72,766	72,766	-	1,048,506	6.9%
2012	83,229	83,229	-	1,128,171	7.4%
2013	99,504	99,504	-	1,242,639	8.0%
2014	102,727	102,727	-	1,418,888	7.2%
2015	111,380	111,380	-	1,511,265	7.4%

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

Valuation Timing	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.
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	14.9 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	3%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.0%, net of investment expenses, including inflation
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	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes.

Cemetery – The Cemetery Fund accounts for donations received by the County for the purpose of maintaining the County Cemetery. The donations are restricted as to use.

Courthouse Security – The Courthouse Security Fund accounts for fees collected by the County and District Clerks from all defendants convicted of an offense. The fees are dedicated by law to be used to fund and support security systems and personnel within the District, County or Justice Courts.

Indigent Healthcare Fund – The Indigent Healthcare Fund accounts for funds committed by the Commissioners' Court to be used to provide healthcare to the indigent.

Justice Court Technology – The Justice Court Technology Fund accounts for fees collected by the County Clerk from all defendants convicted of a misdemeanor offense in a Justice Court. The fees are dedicated by law to be expended only for the costs of continuing education for justice court judges and clerks regarding technological enhancements for justice courts and the costs of those enhancements.

Law Library – The Law Library Fund accounts for statutory fees collected in civil cases filed in County and District Courts. These fees are dedicated by law to provide and maintain a County Law Library.

Museum – The Museum Fund accounts for donations received by the County for the purpose of maintaining the County Museum. The donations are restricted as to use.

Parks – The Parks Fund accounts for funds committed by the Commissioners' Court to be used to maintain the County Park.

Records Management – The Records Management Fund accounts for fees collected by the County and District Clerks from all defendants convicted of an offense. The fees are dedicated by law to be used for specific records management purposes of the County.

Records Preservation – The Records Preservation Fund accounts for revenues from fees collected on criminal and civil court cases by the District and County Clerk. The fees are dedicated by law to be used for specific records preservation projects in any office in the County.

Red Deer Watershed – The Red Deer Watershed Fund accounts for grants from the state to be used to preserve the watershed. The grant funds are restricted as to use.

South Loop Road – The South Loop Road Fund accounts for funds committed by the Commissioners' Court to be used to maintain the South Loop Road.

Technology – The Technology fund accounts for fees collected by all defendants convicted in the County or District Court. The fees are dedicated by law to be expended only for the costs of continuing education for county and district judges and clerks regarding technological enhancements for justice courts and the costs of those enhancements.

**ROBERTS COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Special Revenue						
	Cemetery	Courthouse Security	Indigent Healthcare	Justice Court Technology	Law Library	Museum	
ASSETS							
Cash and cash equivalents	\$ 25,968	\$ 12,174	\$ -	\$ 11,373	\$ 7,107	\$ 43,334	\$ 39,814
Investments	-	-	354,044	-	-	-	-
Due from other funds	-	3,048	-	-	770	-	-
Total assets	\$ 25,968	\$ 15,222	\$ 354,044	\$ 11,373	\$ 7,877	\$ 43,334	\$ 39,814
LIABILITIES							
Due to other funds	\$ 131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total liabilities	131	-	-	-	-	-	-
FUND BALANCES							
Restricted:							
By enabling legislation for special projects	\$ -	\$ 15,222	\$ -	\$ 11,373	\$ 7,877	\$ -	\$ -
Special Projects	25,837	-	-	-	-	43,334	-
Committed for:							
Special projects	-	-	354,044	-	-	-	39,814
Total fund balances	25,837	15,222	354,044	11,373	7,877	43,334	39,814
Total liabilities and fund balances	\$ 25,968	\$ 15,222	\$ 354,044	\$ 11,373	\$ 7,877	\$ 43,334	\$ 39,814

Continued

**ROBERTS COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

Continuation

	<u>Records Management</u>	<u>Records Preservation</u>	<u>Red Deer Watershed</u>	<u>South Loop Road Fund</u>	<u>Technology Fund</u>	<u>Total Nonmajor</u>
ASSETS						
Cash and cash equivalents	\$ 38,738	\$ 3,370	\$ 128,080	\$ -	\$ 622	\$ 310,580
Investments	-	-	-	-	-	354,044
Due from other funds	<u>3,785</u>	<u>316</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,919</u>
Total assets	<u>\$ 42,523</u>	<u>\$ 3,686</u>	<u>\$ 128,080</u>	<u>\$ -</u>	<u>\$ 622</u>	<u>\$ 672,543</u>
LIABILITIES						
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 131</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>131</u>
FUND BALANCES						
Restricted:						
By enabling legislation for special projects	\$ 42,523	\$ 3,686	\$ -	\$ -	\$ 622	\$ 81,303
Special Projects	-	-	128,080	-	-	197,251
Committed for:						
Special projects	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>393,858</u>
Total fund balances	<u>42,523</u>	<u>3,686</u>	<u>128,080</u>	<u>-</u>	<u>622</u>	<u>672,412</u>
Total liabilities and fund balances	<u>\$ 42,523</u>	<u>\$ 3,686</u>	<u>\$ 128,080</u>	<u>\$ -</u>	<u>\$ 622</u>	<u>\$ 672,543</u>

**ROBERTS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Special Revenue						
	Cemetery	Courthouse Security	Indigent Healthcare	Justice Court Technology	Law Library	Museum	Parks
REVENUES							
Licenses and fees	\$ -	\$ 3,047	\$ -	\$ 2,949	\$ 770	\$ -	\$ -
Interest	131	64	2,716	-	36	217	200
Miscellaneous	-	-	1,637	-	-	9,295	-
Total revenues	<u>131</u>	<u>3,111</u>	<u>4,353</u>	<u>2,949</u>	<u>806</u>	<u>9,512</u>	<u>200</u>
EXPENDITURES							
Current:							
Judicial	-	-	-	-	-	-	-
Public facilities	131	-	-	-	-	4,875	-
Public safety	-	-	-	4,941	-	-	-
Public service	-	-	309	-	-	-	-
Total expenditures	<u>131</u>	<u>-</u>	<u>309</u>	<u>4,941</u>	<u>-</u>	<u>4,875</u>	<u>-</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES	<u>-</u>	<u>3,111</u>	<u>4,044</u>	<u>(1,992)</u>	<u>806</u>	<u>4,637</u>	<u>200</u>
OTHER FINANCING SOURCES							
Transfers in	-	-	245,863	-	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>245,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>3,111</u>	<u>249,907</u>	<u>(1,992)</u>	<u>806</u>	<u>4,637</u>	<u>200</u>
FUND BALANCES - BEGINNING	<u>25,837</u>	<u>12,111</u>	<u>104,137</u>	<u>13,365</u>	<u>7,071</u>	<u>38,697</u>	<u>39,614</u>
FUND BALANCES - ENDING	<u>\$ 25,837</u>	<u>\$ 15,222</u>	<u>\$ 354,044</u>	<u>\$ 11,373</u>	<u>\$ 7,877</u>	<u>\$ 43,334</u>	<u>\$ 39,814</u>

Continued

ROBERTS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Continuation

	<u>Records Management</u>	<u>Records Preservation</u>	<u>Red Deer Watershed</u>	<u>South Loop Road Fund</u>	<u>Technology Fund</u>	<u>Total Nonmajor Funds</u>
REVENUES						
Licenses and fees	\$ 3,786	\$ 316	\$ -	\$ -	\$ 164	\$ 11,032
Interest	205	17	646	-	-	4,232
Miscellaneous	-	-	-	-	-	10,932
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	3,991	333	646	-	164	26,196
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
EXPENDITURES						
Current:						
Judicial	2,766	-	-	-	-	2,766
Public facilities	-	-	-	18,750	-	23,756
Public safety	-	-	-	-	-	4,941
Public service	-	-	-	-	-	309
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	2,766	-	-	18,750	-	31,772
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES	1,225	333	646	(18,750)	164	(5,576)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	245,863
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES	-	-	-	-	-	245,863
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	1,225	333	646	(18,750)	164	240,287
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - BEGINNING	41,298	3,353	127,434	18,750	458	432,125
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES - ENDING	\$ 42,523	\$ 3,686	\$ 128,080	\$ -	\$ 622	\$ 672,412
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FIDUCIARY FUNDS

AGENCY FUNDS

The Agency Funds account for assets received in the capacity of trustee or agent for the County, other governmental entity or individual.

County Attorney – The County Attorney’s Fund accounts for the payments of restitution and fees associated with the collection of hot checks within the County limits.

Registry of the Court – The Registry of the Court Fund accounts for registry funds held by the County.

Sheriff – The Sheriff Fund accounts for monies received and being held for cash bonds.

Tax Assessor Collector – The Tax Assessor Collector Fund accounts for money collected by the Tax Assessor Collector and remitted to various taxing jurisdictions.

ROBERTS COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2016

	<u>County Attorney</u>	<u>Registry of the Court</u>	<u>Sheriff</u>	<u>Tax Assessor Collector</u>	<u>Total</u>
ASSETS					
Cash	\$ 850	\$ 6,726	\$ 4,101	\$ 12,722	\$ 24,399
Total assets	<u>\$ 850</u>	<u>\$ 6,726</u>	<u>\$ 4,101</u>	<u>\$ 12,722</u>	<u>\$ 24,399</u>
LIABILITIES					
Accounts payable	\$ 850	\$ -	\$ -	\$ 326	\$ 1,176
Due to other governments	-	-	-	12,396	12,396
Deposits	<u>-</u>	<u>6,726</u>	<u>4,101</u>	<u>-</u>	<u>10,827</u>
Total liabilities	<u>\$ 850</u>	<u>\$ 6,726</u>	<u>\$ 4,101</u>	<u>\$ 12,722</u>	<u>\$ 24,399</u>

PART III
COMPLIANCE

To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Roberts County, Texas

INDEPENDENT AUDITORS' 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 Roberts County, Texas as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Roberts County, Texas' basic financial statements and have issued our report thereon dated March 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Roberts 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Roberts County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Roberts 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider to be significant deficiencies.

- Finding 2016-1

Compliance and Other Matters

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

Purpose of this Report

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

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

March 10, 2017

ROBERTS COUNTY, TEXAS
SCHEDULE OF FINDINGS
SEPTEMBER 30, 2016

Finding 2016-1

INTERNAL CONTROL OVER FINANCIAL REPORTING:

Finding: Inadequate segregation of duties within a significant account or accounting process is considered to be a deficiency in your financial reporting controls. Due to the small size of the offices of the Justice of the Peace, and the County and District Clerk, they have not been able to adequately segregate the processes of handling cash receipts and deposits, and reconciling the bank accounts. This lack of segregation of duties within these processes of handling cash creates a risk that a material misstatement could be present in the financial statements or that fraud could occur and would not be detected by management timely. Though these offices may not be able to adequately segregate these processes within the office, the official should implement compensating controls over these processes.