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MEMBER
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CERTIFIED PUBLIC ACCOUNTANTS

Mr. Robert Bean
Menard County Treasurer
Menard, TX 76859

This is to verify that Menard County, for the fiscal year ended September 30, 2016, did not have to prepare a single audit (Federal grants did not exceed \$750,000).

Neffendorf + Knopp, P.C.
NEFFENDORF & KNOPP, PC

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**COUNTY OF MENARD,
TEXAS**

Menard, Texas

**For the Year Ended
September 30, 2016**

MENARD COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

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

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Independent Auditor's Report

Honorable Judge and County Commissioners
County of Menard
Menard, TX 76859

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of County of Menard, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the County of Menard, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows 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 management's discussion and analysis (pages 3 through 8), budgetary comparison information (pages 39 through 41) and the schedule of changes in net pension liability and related ratios, schedule of employer contributions, and notes to the schedule of contributions (pages 42 through 44) 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Menard's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules 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 supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Neffendorf + Knopp, P.C.
NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

July 26, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Menard County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial statements of the County for the year ended September 30, 2016. Please read it in conjunction with the independent auditors' report on page 1, and County's Basic Financial Statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$5,154,301 (net position). Of this amount, \$236,236 (unrestricted net position) may be used to meet the County's ongoing obligations to citizen's and creditors.
- The County's net position decreased by \$14,115 as a result of this year's operations.
- At September 30, 2016, the County's governmental funds reported combined ending fund balances of \$65,912, a decrease of \$4,874 in comparison with the prior year.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 9 and 10). These provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (on pages 12-13 & 15-16) report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the County.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The Budgetary Comparison Schedules (General Fund and Road and Bridge Fund) pages 39-41, the Schedule of Changes in Net Pension Liability and Related Ratios, page 42, the Schedule of Employer Contributions, page 43 and the Notes to the Schedule of Contributions, page 44 are presented as required supplementary information.

The combining statements (starting on page 45) for nonmajor funds contain even more information about the County's individual funds.

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the County's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the County is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by outside parties who pay for the costs of some programs and grants provided by the outside parties and agencies (program revenues), and revenues provided by the taxpayers or other unrestricted sources (general revenues). All the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County's net position and changes in them. The County's net position (the difference between assets and liabilities) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider other factors as well, such as changes in the County's customers or its property tax base and the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities, the County has one kind of activity:

➤ Governmental activity - Most of the County's basic services are reported here, including public safety, roads and bridges, health and human services, culture and recreation, county courts and general administration. Property taxes, user charges, sales tax and grants finance most of these activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

The fund financial statements on pages 12-13 & 15-16 provide detailed information about the most significant funds - not the County as a whole. Laws and contracts require the County to establish some funds, such as grants received from a government agency. The County's administration establishes many other funds to help it control and manage money for particular purposes.

➤ Governmental funds - Most of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation schedules following each of the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the County's governmental activities.

Net position of the County's governmental activities increased from \$5,064,703 to \$5,154,301. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$236,236 at September 30, 2016. This increase in governmental net position was the result of several factors. First, the County's expenditures exceeded the revenues by \$4,874. Second, the County acquired capital assets in the amount of \$445,478 and paid principal on long-term debt in the amount of \$222,521. Third, the County recorded depreciation in the amounts of \$341,544. Fourth, the County received loan proceeds of \$218,000. In accordance with GASB #68, the County recorded a prior period adjustment of \$103,713.

Table I
Menard County, Texas

NET POSITION
in thousands

	Governmental Activities	
	2016	2015
Current and Other Assets	\$ 359	\$ 436
Capital Assets	5,873	5,769
Net Pension Asset	0	27
Total Assets	<u>\$ 6,232</u>	<u>\$ 6,232</u>
Deferred Outflow of Resources		
Deferred Outflow Related to Pension	\$ 382	\$ 121
Deferred Charge on Refunding	5	6
Total Deferred Outflows of Resources	<u>\$ 387</u>	<u>\$ 127</u>
Long-Term Liabilities	\$ 1,194	\$ 856
Other Liabilities	128	423
Total Liabilities	<u>\$ 1,322</u>	<u>\$ 1,279</u>
Deferred Inflows of Resources		
Deferred Inflow Related to Pension	\$ 143	\$ 15
Net Position:		
Net Investment in		
Capital Assets	\$ 4,802	\$ 4,694
Restricted	116	111
Unrestricted	236	260
Total Net Position	<u><u>\$ 5,154</u></u>	<u><u>\$ 5,065</u></u>

Table II
Menard County, Texas

CHANGES IN NET POSITION
in thousands

	Governmental Activities	
	2016	2015
Revenues:		
Charges for Services	\$ 1,427	\$ 1,331
Property Taxes	1,413	1,442
Sales Tax	61	56
Contributions/Grants	26	22
Investment Earnings	1	1
Miscellaneous	84	240
Grants & Contributions - Operating	191	148
Grants & Contributions - Capital	242	70
Total Revenue	\$ 3,445	\$ 3,310
Expenses:		
General Administration	\$ 191	\$ 192
Financial Administration	74	79
Tax Administration	144	137
Facilities Management	67	81
Law Enforcement	786	682
Corrections	280	271
Emergency Management Services	153	143
Roads and Bridges	349	284
Sanitation	36	35
Administration of Justice	802	875
Juvenile Services	73	50
Health and Human Services	263	220
Recreation	24	28
Parks	55	31
Museums	2	2
Libraries	32	35
Conservation and Development	102	98
Bond and Other Interest	26	34
Total Expenses	\$ 3,459	\$ 3,277
Increase (Decrease) in Net Position	\$ (14)	\$ 33
Net Position, Beginning	5,065	4,907
Prior Period Adjustment	103	125
Net Position, Ending	\$ 5,154	\$ 5,065

The cost of all governmental activities this year was \$3,459,327. However, as shown in the Statement of Activities on page 10, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$1,413,045 because the other costs were paid by sales tax (\$60,442), operating and capital grants (\$433,512), user charges (\$1,427,224) and other miscellaneous (\$110,989).

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$65,912, which is less than last year's total of \$70,786. Included in this year's total change in fund balance is a decrease of \$9,439 in the County's General Fund. The primary reason for the General Fund's decrease is due to expenditures exceeded revenues.

The Commissioners' Court adopted the General and Road and Bridge Fund Budgets. The County amended the original budget; actual revenues were less than budgeted amounts in the General Fund and less than budgeted amounts in the Road and Bridge Fund. Actual expenditures were less than the budgeted amounts in the General Fund and less than budgeted amounts in the Road and Bridge Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of September 30, 2016, the County had \$9,768,041 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and other improvements. This amount represents an increase of \$420,903, or 4.5 percent, more than last year.

CAPITAL ASSETS
in thousands

	Governmental Activities	
	2016	2015
Land	\$ 106	\$ 106
Buildings	5,235	5,235
Improvements	1,999	1,777
Machinery & Equipment	2,428	2,192
Construction in Progress	-	37
Total Capital Assets	\$ 9,768	\$ 9,347
Less: Accumulated Depreciation	3,895	3,578
Capital Assets, Net	\$ 5,873	\$ 5,769

More detailed information about the County's capital assets is presented in Note 3.D. to the financial statements.

DEBT

At September 30, 2016, the County had the following outstanding debt:

	OUTSTANDING DEBT	
	in thousands	
	Governmental Activities	
	2016	2015
Bonds Payable	\$ 775	\$ 895
Notes Payable	265	69
Capital Leases Payable	34	115
Total Outstanding Debt	\$ 1,074	\$ 1,079

At year-end, the County had \$775,000 in tax notes outstanding and \$299,473 in capital leases and loans outstanding. During the year, the County paid \$222,521 in principal on the outstanding long-term debt. During the year the County obtained new loans from the First State Bank in the amount of \$218,000.

More detailed information about the County's long-term liabilities is presented in Note 3.E., 3.F. and 3.G. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2017 budget and tax rates. The major factors are the economy and assessed property valuation. These indicators were taken into account when adopting the budget for 2017. Amounts available for appropriation in the budget are \$3,333,040 and expenditures are estimated to be \$3,307,015.

If these estimates are realized, the County's budgetary fund balances are expected to increase by \$26,000 by the close of 2017.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County's business office, at Menard County, Texas, Menard, Texas.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT A-1

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 58,387
Receivables (net of allowance for uncollectibles)	301,041
Capital Assets:	
Land	106,000
Buildings, net	3,561,179
Improvements other than Buildings, net	1,718,933
Machinery and Equipment, net	487,065
Total Assets	6,232,605
DEFERRED OUTFLOW OF RESOURCES	
Deferred Charge for Refunding	5,390
Deferred Outflow Related to Pension Plan	381,455
Total Deferred Outflows of Resources	386,845
LIABILITIES	
Accounts Payable	53,982
Intergovernmental Payable	70,927
Accrued Interest Payable	2,336
Noncurrent Liabilities	
Due Within One Year	328,414
Due in More Than One Year	746,059
Net Pension Liability	120,202
Total Liabilities	1,321,920
DEFERRED INFLOW OF RESOURCES	
Deferred Inflow Related to Pension Plan	143,229
Total Deferred Inflows of Resources	143,229
NET POSITION	
Net Investment in Capital Assets	4,802,237
Restricted for:	
Restricted for Debt Service	7,222
Restricted for Special Revenue	108,606
Unrestricted Net Position	236,236
Total Net Position	\$ 5,154,301

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

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

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Administration	\$ 190,730	\$ 41,337	\$ 26,397
Financial Administration	73,975	-	-
Tax Administration	144,363	-	-
Facilities Management	66,554	8,970	-
Law Enforcement	785,483	856,577	4,875
Corrections	279,947	-	-
Emergency Management Services	153,426	12,880	37,771
Roads and Bridges	349,315	146,930	11,598
Sanitation	35,709	-	-
Administration of Justice	801,867	318,045	23,333
Juvenile Services	72,728	-	43,833
Health and Human Services	263,368	8,523	37,601
Recreation	24,395	8,666	-
Parks	55,321	25,296	-
Museums	1,800	-	-
Libraries	32,014	-	3,000
Conservation and Development	102,174	-	2,967
Bond Interest	24,440	-	-
Other Debt Interest	1,718	-	-
TOTAL PRIMARY GOVERNMENT:	\$ 3,459,327	\$ 1,427,224	\$ 191,375

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
Sales Taxes
Other Taxes
Penalty and Interest
Grants and Contributions Not Restricted
Miscellaneous Revenue
Investment Earnings

Total General Revenues

Change in Net Position

Net Position-- Beginning
Prior Period Adjustment
Net Position--Ending

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

		Net (Expense) Revenue and Changes in Net Position	
		Capital Grants and Contributions	Primary Government Governmental
\$	-	\$	(122,996)
	-		(73,975)
	-		(144,363)
	-		(57,584)
	-		75,969
	-		(279,947)
	33,777		(68,998)
	163,929		(26,858)
	-		(35,709)
	-		(460,489)
	-		(28,895)
	44,431		(172,813)
	-		(15,729)
	-		(30,025)
	-		(1,800)
	-		(29,014)
	-		(99,207)
	-		(24,440)
	-		(1,718)
\$	<u>242,137</u>		<u>(1,598,591)</u>

1,254,203
130,516
60,442
365
28,326
25,804
84,324
496
<u>1,584,476</u>
(14,115)
5,064,703
103,713
<u>\$ 5,154,301</u>

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

	General Fund	Road and Bridge Fund	JP Court Technology Fund
ASSETS			
Cash and Cash Equivalents	\$ (45,690)	\$ 19	\$ 34,745
Taxes Receivable	66,614	-	-
Allowance for Uncollectible Taxes (credit)	(1,998)	-	-
Receivables (Net)	90,741	10,940	1,088
Intergovernmental Receivables	19,840	6,810	-
Total Assets	<u>\$ 129,507</u>	<u>\$ 17,769</u>	<u>\$ 35,833</u>
LIABILITIES			
Accounts Payable	\$ 43,879	\$ 8,006	\$ -
Intergovernmental Payable	70,927	-	-
Total Liabilities	<u>114,806</u>	<u>8,006</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	64,616	-	-
Total Deferred Inflows of Resources	<u>64,616</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Retirement of Long-Term Debt	-	-	-
Other Restricted Fund Balance	-	9,763	35,833
Unassigned Fund Balance	(49,915)	-	-
Total Fund Balances	<u>(49,915)</u>	<u>9,763</u>	<u>35,833</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 129,507</u>	<u>\$ 17,769</u>	<u>\$ 35,833</u>

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

Debt Service Fund	Other Funds	Total Governmental Funds
\$ 6,551	\$ 62,761	\$ 58,386
7,322	988	74,924
(220)	(30)	(2,248)
670	1,259	104,698
-	1,087	27,737
<u>\$ 14,323</u>	<u>\$ 66,065</u>	<u>\$ 263,497</u>
\$ -	\$ 2,097	\$ 53,982
-	-	70,927
<u>-</u>	<u>2,097</u>	<u>124,909</u>
7,102	958	72,676
<u>7,102</u>	<u>958</u>	<u>72,676</u>
7,221	-	7,221
-	63,010	108,606
-	-	(49,915)
<u>7,221</u>	<u>63,010</u>	<u>65,912</u>
<u>\$ 14,323</u>	<u>\$ 66,065</u>	<u>\$ 263,497</u>

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

Total Fund Balances - Governmental Funds	\$	65,912
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		4,693,782
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase net position.		667,999
This is the second year of the implementation of GASB 68 for the TCDRS Pension plan. This fiscal year required that the County report their net pension liability in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension liability of \$120,202, a Deferred Resource Outflow of \$381,455 and a Deferred Resource Inflow of \$143,029. The net effect of these was to increase the ending net position by \$118,024.		118,024
The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(341,544)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the loan proceeds as an increase in loans payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(49,872)
Net Position of Governmental Activities	\$	5,154,301

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

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

	General Fund	Road and Bridge Fund	JP Court Technology Fund
REVENUES:			
Taxes:			
Property Taxes	\$ 1,262,114	\$ -	\$ -
General Sales and Use Taxes	60,442	-	-
Other Taxes	365	-	-
Penalty and Interest on Taxes	1,561	-	-
Licenses and Permits	9,822	-	-
Intergovernmental Revenue and Grants	251,442	166,327	-
Charges for Services	335,522	132,775	-
Fines	685,179	9,400	13,155
Forfeits	-	-	-
Investment Earnings	496	-	-
Rents and Royalties	-	900	-
Contributions & Donations from Private Sources	25,596	-	-
Other Revenue	35,859	100	-
Total Revenues	<u>2,668,398</u>	<u>309,502</u>	<u>13,155</u>
EXPENDITURES:			
Current:			
General Government:			
General Administration	121,127	48,954	-
Financial Administration	67,682	-	-
Tax Administration	136,083	-	-
Facilities Management	53,830	-	-
Public Safety:			
Law Enforcement	526,723	-	-
Corrections	257,980	-	-
Emergency Management Services	133,749	-	-
Roads and Bridges	-	434,980	-
Sanitation	34,415	-	-
Administration of Justice	734,707	-	7,322
Juvenile Services	61,941	-	-
Health and Human Services	193,531	-	-
Culture and Recreation:			
Recreation	23,295	-	-
Parks	29,739	-	-
Museums	1,800	-	-
Libraries	28,823	-	-
Conservation and Development	94,944	-	-
Debt Service:			
Bond Principal	-	-	-
Other Debt Principal	22,091	80,430	-
Bond Interest	-	3,829	-
Other Debt Interest	1,718	-	-
Capital Outlay:			
Capital Outlay	123,454	-	-
Total Expenditures	<u>2,647,632</u>	<u>568,193</u>	<u>7,322</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,766</u>	<u>(258,691)</u>	<u>5,833</u>
OTHER FINANCING SOURCES (USES):			
Sale of Real and Personal Property	210	9,205	-
Non-Current Loans	126,685	70,315	-
Transfers In	6,900	184,116	-
Transfers Out (Use)	(164,000)	-	-
Total Other Financing Sources (Uses)	<u>(30,205)</u>	<u>263,636</u>	<u>-</u>
Net Change in Fund Balances	(9,439)	4,945	5,833
Fund Balance - October 1 (Beginning)	(40,476)	4,818	30,000
Fund Balance - September 30 (Ending)	<u>\$ (49,915)</u>	<u>\$ 9,763</u>	<u>\$ 35,833</u>

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

	Debt Service Fund	Other Funds	Total Governmental Funds
\$	133,192	\$ 17,804	\$ 1,413,110
	-	-	60,442
	-	-	365
	-	20	1,581
	-	-	9,822
	-	15,743	433,512
	-	23,175	491,472
	-	-	707,734
	-	247,272	247,272
	-	-	496
	-	-	900
	-	208	25,804
	-	5,984	41,943
	<u>133,192</u>	<u>310,206</u>	<u>3,434,453</u>
	-	7,981	178,062
	-	-	67,682
	-	-	136,083
	-	9,994	63,824
	-	133,319	660,042
	-	-	257,980
	-	-	133,749
	-	-	434,980
	-	-	34,415
	-	7,986	750,015
	-	-	61,941
	-	6,543	200,074
	-	-	23,295
	-	-	29,739
	-	-	1,800
	-	-	28,823
	-	-	94,944
	120,000	-	120,000
	-	-	102,521
	20,132	-	23,961
	-	-	1,718
	-	<u>137,640</u>	<u>261,094</u>
	<u>140,132</u>	<u>303,463</u>	<u>3,666,742</u>
	<u>(6,940)</u>	<u>6,743</u>	<u>(232,289)</u>
	-	-	9,415
	-	21,000	218,000
	-	-	191,016
	-	<u>(27,016)</u>	<u>(191,016)</u>
	-	<u>(6,016)</u>	<u>227,415</u>
	<u>(6,940)</u>	<u>727</u>	<u>(4,874)</u>
	<u>14,161</u>	<u>62,283</u>	<u>70,786</u>
\$	<u>7,221</u>	\$ <u>63,010</u>	\$ <u>65,912</u>

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

Total Net Change in Fund Balances - Governmental Funds	\$	(4,874)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to increase the change in net position.		667,999
The implementation of the requirements of GASB 68 for this fiscal year resulted in a prior period adjustment to record the retroactive impact. This is NOT included in the explanation as to why the CHANGE in net position is different on Exhibit B-1 than the change in fund balance on Exhibit C-3. The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$235,608 and total debits to expenses were \$117,047. The net effect on the change in net position on Exhibit B-1 is an decrease of \$118,561.		(118,561)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(341,544)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying loan proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(217,135)
Change in Net Position of Governmental Activities	\$	(14,115)

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

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

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 1,578	\$ 125,015
Accounts Receivable-Net of Uncollectible Allowance	20	-
Total Assets	<u>1,598</u>	<u>\$ 125,015</u>
LIABILITIES		
Due to Others	-	\$ 125,015
Total Liabilities	<u>-</u>	<u>\$ 125,015</u>
NET POSITION		
Restricted for Private Purposes	<u>1,598</u>	
Total Net Position	<u>\$ 1,598</u>	

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

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

	Private Purpose Trust Funds
ADDITIONS:	
Other Revenue	\$ 300
Total Additions	<u>300</u>
Change in Net Position	300
Total Net Position -October 1 (Beginning)	<u>1,298</u>
Total Net Position September 30 (Ending)	<u><u>\$ 1,598</u></u>

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Menard County have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1.A. FINANCIAL REPORTING ENTITY

The County is an independent unit and is managed by a governing body of elected officials. The accompanying financial statements present the County's primary government.

In evaluating how to define the government, for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is 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 primary government. Based on the foregoing criteria, there were no component units identified that would require inclusion in this report.

1.B. BASIS OF PRESENTATION

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements:

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

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditure/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund, the primary operating fund of the County, is always classified as a major fund. It is the basic fund of the County and covers all activities for which a separate fund has not been established.

Special Revenue Funds

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

Debt Service Funds

The Debt Service Fund accounts for the accumulation of financial resources for and the payment of principal and interest on general long-term debt of the County other than debt service payments made by enterprise funds. Ad valorem taxes are used for the payment of principal and interest on the County's debt.

Capital Projects Fund - To account for financial resources to be used for the acquisition and construction of major capital facilities.

Fiduciary Funds (Not included in government-wide statements)

Agency Funds

Agency funds account for assets held by the County in a purely custodial capacity. The reporting entity includes one agency fund. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations.

Private Purpose Trust Funds

Private Purpose Trust Funds report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The reporting entity includes one private purpose trust fund.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor. The major funds are as follows:

Major Fund	Brief Description
<u>General</u>	See above for description.
<u>Special Revenue Fund:</u>	
Road & Bridge Fund	Accounts for all road and bridge construction and maintenance activity.

Nonmajor funds consist of special revenue funds and the debt service fund and are detailed in the Combining and Individual Fund Statements - Nonmajor Funds.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Measurement Focus

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. Agency and private purpose trust funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expense, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statement, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized revenues when both "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectable within the current period or within 60 days after year end. Also under the modified accrual basis of accounting, expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

1.D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Cash and Cash Investments

For the purpose of the Statement of Net Position, "Cash and Cash Equivalents" includes demand deposit accounts and government investment pools. All amounts are considered available upon demand and are considered to be "cash equivalents."

Several funds may be invested in an investment account and each fund has an equity interest therein. Interest earned on the Investment of these monies is allocated based upon relative equity at month end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances of uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. The major receivable balances for the governmental activities relate to property taxes and court fines and fees.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, grants, and other intergovernmental revenues since they are usually both measurable and available. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Fixed Assets

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable.

Donated assets are recorded at their estimated fair value at the date of donation.

Pursuant to GASB Statement Number 34, an extended period of deferral is available before the requirement to record and depreciate infrastructure assets (e.g., roads, bridges, and similar items) acquired before the implementation date becomes effective. Therefore, infrastructure assets acquired prior to October 1, 2002 have not yet been capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25 - 50 years
Improvements	10 - 50 years
Machinery and Equipment	3 - 20 years
Infrastructure	25 - 50 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-term Debt

All long term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bond and note payables and capital lease transactions.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures.

Compensated Absences

Vacation and Sick Leave - Vacation and sick leave expenses are charged to operations when taken by the employees of the County. Accordingly, no accruals are reflected in the accounts for unpaid amounts of vacation and sick leave earned by employees. After one year of service an employee is entitled to two weeks of vacation. If the employee does not take the vacation within the year, they will lose the benefit. If an employee is terminated for any reason they will be entitled to payment for the vacation they have earned. The liabilities for accumulated vacation and sick leave at September 30, 2016 are estimated to be insignificant and are not reflected in the accompanying financial statements.

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

Beginning with fiscal year end September 30, 2011, the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance – amounts that are not in non-spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority (i.e. Commissioners' Court). To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the County intends to use for a specific purpose. Intent can be expressed by the Commissioners' Court or by an official or body to which the Commissioners' Court delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Commissioners' Court establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Commissioners' Court through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or other purposes).

Pensions

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

Deferred Inflows of Resources and Deferred Outflows of Resources

Beginning with fiscal year end September 30, 2013, the County implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as well as GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB 63, amounts previously reported as deferred charges as a part of total assets have been reported in a separate section as deferred outflows of resources and amounts previously reported as a part of total liabilities have been reported in a separate section as deferred inflows of resources.

Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

1.E. REVENUES, EXPENDITURES AND EXPENSES

Property Taxes

The County contracted with the Menard County Appraisal District for the appraisal of taxes. Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. For the 2015 tax roll, the total assessed valuation for Menard County was \$186,536,370 and the taxes assessed amounted to \$1,367,935. The total tax rate was \$.73384 per \$100 valuation and allocated \$.66117 to the General and \$.07267 to the Debt Service Fund. In addition, for the 2015 tax roll, the total assessed valuation for Menard County FCLR was \$184,718,210 and the taxes assessed amounted to \$17,480. The total tax rate was \$.00947.

In the fund financial statements, property taxes are recorded as revenue in the period levied to the extent they are collected within 60 days of year-end. Due to the immaterial amount of additional property taxes receivable after the 60-day period, no additional accrual is made in the government-wide financial statements.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - by Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

In the fund financial statements, governmental funds report expenditures of financial resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as a local government unit, the County is subject to various federal, state and local laws and contractual regulations. An analysis of the County's compliance with significant laws and regulations and demonstration of its stewardship over County resources follows.

2.A. BUDGETARY INFORMATION

The County Judge and staff prepare the proposed budget, using revenue estimates furnished by the County Treasurer and submit the data to Commissioners Court. A public hearing is held on the budget by Commissioners Court. Before determining the final budget, Commissioners Court may increase or decrease the amounts requested by the various departments. In the final budget, which is usually adopted in September, expenditures for current operating funds cannot exceed the estimated available cash balances in such funds on October 1, plus the estimate of revenues for the ensuing year. At any time during the year, Commissioners Court may increase the budget for unexpected revenues. Commissioners Court may transfer amounts among individual budget line items within major expenditure categories during the year, but no such transfer may increase the overall total of the budget. Formal budgetary integration is employed for the General, Special Revenue, Debt Service and Capital Projects operations. Budgets for these funds are prepared on a cash basis. Unused appropriations lapse at the end of each year.

2.B. DEPOSITS AND INVESTMENTS LAWS AND REGULATIONS

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

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

For the year ended September 30, 2016 the County complied, in all material respects, with the requirements of the Public Funds Investment Act and with local policies.

NOTE 3 - DETAILED NOTES ON ALL FUNDS

3.A. DEPOSITS AND INVESTMENTS

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

At September 30, 2016 the carrying amount of the County's deposits was \$59,765 and the bank balance was \$83,468. The County's cash deposits held at First State Bank and Menard National Bank at September 30, 2016 and during the year ended September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

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

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the County has adopted a deposit and investment policy. That policy does address the following risks:

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

Custodial Credit Risk – Investments: This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments (certificates of deposit) were secured by FDIC insurance and pledged securities.

Other Credit Risk: There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2016, the County was not exposed to concentration of credit risk, interest rate risk or foreign currency risk.

3.B. AD VALOREM TAXES RECEIVABLE

Ad Valorem taxes have been reported in the financial statements net of the allowance for uncollectible taxes. Ad Valorem taxes are prorated between maintenance, and special revenues based on rates adopted for the year of the levy. Allowances for uncollectible within the General and Special Revenue Funds are based upon historical experience in collecting property taxes. The County is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

Ad Valorem tax payments, received throughout the year, are recognized as revenue in the year received, except for those received within 60 days after year-end, which are recognized as revenue as of September 30, 2016.

The following is a summary, by major and nonmajor funds, of the gross taxes, the allowance for uncollectible taxes, and net taxes receivable.

	Taxes Receivable	Allowance for Uncollectible Taxes	Net Taxes Receivable
General Fund	\$ 66,614	\$ 1,998	\$ 64,616
Lateral Road Fund	988	30	958
Debt Service Fund	<u>7,322</u>	<u>220</u>	<u>7,102</u>
 TOTAL - ALL FUNDS	 <u>\$ 74,924</u>	 <u>\$ 2,248</u>	 <u>\$ 72,676</u>

3.C. COURT FINES AND FEES RECEIVABLE

With the implementation of GASB Statement Number 34, the County has determined the amount of court fines and fees receivable to be \$95,930 which represents amounts owed and outstanding for several years.

3.D. CAPITAL ASSETS

The following is a summary of capital asset activity for the year ended September 30, 2016.

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 106,000	\$ -	\$ -	\$ 106,000
Buildings	5,235,073	-	-	5,235,073
Improvements	1,777,131	221,779	-	1,998,910
Machinery & Equipment	2,191,539	261,094	(24,575)	2,428,058
Construction Work in Progress	37,395	-	(37,395)	-
Totals at Historic Cost	<u>\$ 9,347,138</u>	<u>\$ 482,873</u>	<u>\$ (61,970)</u>	<u>\$ 9,768,041</u>
Less Accumulated				
Depreciation for:				
Buildings	1,556,180	117,714	-	1,673,894
Improvements	222,713	57,264	-	279,977
Machinery & Equipment	1,799,002	166,566	(24,575)	1,940,993
Total Accumulated Depreciation	<u>\$ 3,577,895</u>	<u>\$ 341,544</u>	<u>\$ (24,575)</u>	<u>\$ 3,894,864</u>
 Governmental Activities				
Capital Assets, Net	<u>\$ 5,769,243</u>	<u>\$ 141,329</u>	<u>\$ (37,395)</u>	<u>\$ 5,873,177</u>

Depreciation expense was charged to functions/programs of the County as follow:

Governmental Activities:	
Financial Administration	\$ 2,544
General Administration	6,694
Tax Administration	5,115
Emergency Management	13,635
Law Enforcement	91,702
Parks	25,582
Corrections	9,698
Roads & Bridges	88,973
Sanitation	1,294
Justice System	28,194
Juvenile Services	2,328
Health & Human Services	58,166
Recreation	876
Conservation & Development	3,636
Facilities Management	2,024
Libraries	1,083
Total Depreciation Expense- Governmental Activities	<u>\$ 341,544</u>

3.E. LONG-TERM DEBT

Governmental Activities

As of September 30, 2016, the governmental long-term debt consisted of the following:

Changes in Long-Term Debt

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities:					
Notes Payable -					
First State Bank	\$ 69,393	\$ 171,000	\$ 22,090	\$ 218,303	\$ 175,171
Menard Bank	-	47,000	-	47,000	23,092
Limited Tax Refunding Bonds-					
Series 2005	-	-	-	-	-
Series 2007	-	-	-	-	-
Series 2009	-	-	-	-	-
Series 2013	895,000	-	120,000	775,000	115,000
Capital Leases					
Caterpillar Financial	66,269	-	66,269	-	-
CNH Capital	48,332	-	14,162	34,170	15,151
Governmental Activity Long-Term Debt	<u>\$ 1,078,994</u>	<u>\$ 218,000</u>	<u>\$ 222,521</u>	<u>\$ 1,074,473</u>	<u>\$ 328,414</u>

3.F. GENERAL OBLIGATION AND TAX REFUNDING BONDS

Certificates of Obligation payable at September 30, 2016 consists of the following:

\$1,125,000 Limited Tax Refunding Bonds, Series 2013 due in annual installments of \$90,000 to \$115,000 through February 15, 2023; interest rate at 2.411%.	\$ <u>775,000</u>
Total Limited Tax Refunding Bonds	\$ <u><u>775,000</u></u>

The annual requirements for principal and interest on the outstanding certificates of obligation are as follows:

Year Ended September 30	Principal	Interest	Total
2017	\$ 115,000	\$ 17,299	\$ 132,299
2018	120,000	14,466	134,466
2019	120,000	11,573	131,573
2020	120,000	8,860	128,860
2021	120,000	5,786	125,786
2022 – 2026	<u>180,000</u>	<u>4,340</u>	<u>184,340</u>
Totals	<u>\$ 775,000</u>	<u>\$ 62,324</u>	<u>\$ 837,324</u>

3.G. LONG-TERM DEBT ADVANCE REFUNDING

During 2013, the County advance refunded the Series 2005, Series 2007 and Series 2009 Tax Notes and Refunding Bonds by issuing \$1,125,000 limited tax refunding bonds – Series 2013. The tax notes and refunding bonds were called and were redeemed by depositing \$1,083,078 into an escrow account on September 16, 2013. The tax notes and refunding bonds have been defeased and removed as a liability of the County. The refunding bonds resulted in a gross debt service savings of \$3,056 and the net present value savings of \$39,490. The following obligations are considered to be defeased and the liability removed from the accompanying financial statements:

Description	Refunded Amount
Tax Notes and Refunding Bonds-	
Series 2005	\$ 135,000
Series 2007	265,000
Series 2009	-
TOTAL	<u>\$ 400,000</u>

3.H. OTHER LONG-TERM DEBT

Lease purchase agreements and loans payable at September 30, 2016 consists of the following:

\$29,455 note agreement with First State Bank to purchase a 2014 Chevy Silverado 2500 Truck, due in yearly installments of \$10,590.47 until 11/05/2016, interest at 3.75%	\$ 10,202
\$37,500 note agreement with First State Bank to purchase a 2015 Chevy Tahoe Patrol Vehicle, due in yearly installments of \$13,463.69 until 05/08/2018, interest at 3.75%	24,362
\$46,000 note agreement with First State Bank to purchase a 2016 Ford Explorer Police Vehicle, due in yearly installments of \$16,593.51 until 3/07/2019, interest at 4.00%	46,000
\$125,000 note agreement with First State Bank for expenses, due in one year, 08/25/2016, interest at 3.75%	125,000
\$25,000 note agreement with First State Bank to purchase a 2015 Chevy Pickup Truck, due in yearly installments of \$13,218.65 until 05/08/2017, interest at 3.75%	12,739
\$47,000 note agreement with Menard Bank to refinance a 2010 Motor Grader due in semi-annual installments of \$12,269.40 until 05/12/2018, interest at 3.50%	47,000
\$72,345 original lease purchase agreement with CNH Capital to purchase a Case Compactor Model #SV212, due in monthly installments of \$1,416.69 until 12/03/2018, interest at 6.77%	<u>34,170</u>
TOTAL LOANS AND LEASE PURCHASE AGREEMENTS	<u><u>\$ 299,473</u></u>

A summary of the future minimum lease and loan payments under the agreements along with the present value of the minimum debt payments as of September 30, 2016 follows:

<u>Year Ended September 30</u>	
2017	\$ 222,161
2018	70,425
2019	<u>19,411</u>
Total Minimum Debt Payments	\$ 311,997
Less Amount Representing Interest	<u>12,524</u>
Present Value of Debt Payments	<u><u>\$ 299,473</u></u>

3.I. INTERFUND TRANSFERS

The composition of interfund balances as of September 30, 2016, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 6,900	\$ 164,000
Road and Bridge Fund	184,116	-
Nonmajor Special Revenue Funds	-	27,016
	<u>\$ 191,016</u>	<u>\$ 191,016</u>

NOTE 4 - OTHER NOTES

4.A. EMPLOYEE RETIREMENT PLAN

Plan Description

A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. Menard County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full-and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCERS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.
 - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCERS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Menard County contribution rate is based on the TCERS funding policy adopted by the TCERS Board of Trustees and must conform with the TCERS Act. The employee contribution rates are set by the county and are currently 7%.
- e. The most recent comprehensive annual financial report for TCERS can be found at the following link, www.tcders.org.

Members covered by benefit terms.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	35
Active employees	<u>44</u>
	96

Contributions

A combination of three elements fund each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

The contribution rate payable by the employee members for calendar year 2015 is the rate of 7% as adopted by the governing body of the employer. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act. The County's contributions to TCDRS for the year ended September 30, 2016 were \$109,488, and were equal to the required contributions.

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

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 Normal (1)
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line amortization over Expected Working Life
Recognition of Assumptions, Changes or Inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smooth Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	3.0%

Salary Increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and .5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
Investment Rate of Return	8.10%
Cost of Living Adjustments	Cost-of-Living Adjustments for Menard County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Deferred members are assumed to retire (100% probability) at the later of: a) age 60; b) earliest retirement eligibility.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	RP-2000 Mortality Tables

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

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

Note that 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. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2012 for more details.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	14.00%	8.45%
Global Equities	MSCI World (Net) Index	1.50%	5.75%
International Equities – Developed	MSCI World Ex USA (Net)	10.00%	5.45%
International Equities – Emerging	MSCI World Ex USA (Net)	8.00%	6.45%
Investment – Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%

⁽¹⁾ Target asset allocation adopted at the April 2016 TCDRS Board meeting

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 capital market assumptions.

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

⁽⁴⁾ Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

Discount Rate

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

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Increase/(Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2014	\$ 3,633,499	\$ 3,771,856	\$ (138,357)
Changes for the Year:			
Service Cost	149,860	-	149,860
Interest on Total Pension Liability ⁽¹⁾	296,397	-	296,397
Effect of Plan Changes ⁽²⁾	51,701	-	51,701
Effects of Economic/Demographic Gains or Losses	(170,816)	-	(170,816)
Effect of Assumptions Changes or Inputs	41,643	-	41,643
Refund of Contributions	(15,415)	(15,415)	-

Changes in Net Pension Liability / (Asset)	Increase/(Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a)-(b)
Benefit Payments	(175,328)	(175,328)	-
Administrative Expenses	-	(2,684)	2,684
Member Contributions	-	85,913	(85,913)
Net Investment Income	-	8,270	(8,270)
Employer Contributions	-	107,391	(107,391)
Other ⁽³⁾	-	(88,664)	88,664
Balances as of December 31, 2015	<u>\$ 3,811,542</u>	<u>\$ 3,691,339</u>	<u>\$ 120,202</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 Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the Menard County net pension liability 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 <u>7.10%</u>	Current Discount Rate <u>8.10%</u>	1% Increase <u>9.10%</u>
Total Pension Liability	\$ 4,232,926	\$ 3,811,542	\$ 3,455,548
Fiduciary Net Position	<u>3,691,339</u>	<u>3,691,339</u>	<u>3,691,339</u>
Net Pension Liability/(Asset)	<u>\$ 541,587</u>	<u>\$ 120,202</u>	<u>\$ (235,791)</u>

Pension Expense / (Income)

Prepaid Expense/(Income)	January 1, 2015 to December 31, 2015
Service Cost	\$ 149,860
Interest on Total Pension Liability ⁽¹⁾	296,397
Effect of Plan Changes	51,701
Administrative Expenses	2,684
Member Contributions	(85,913)
Expected Investment Return Net of Investment Expenses	(304,678)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	(50,262)
Recognition of Assumption Changes or Inputs	10,411
Recognition of Investment Gains or Losses	69,187
Other ⁽²⁾	<u>88,664</u>
Pension Expense/(Income)	<u>\$ 228,050</u>

⁽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.

As of September 30, 2016, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 143,229	\$ -
Changes of assumptions	-	31,233
Net difference between projected and actual earnings	-	266,842
Contributions made subsequent to measurement date ⁽³⁾	N/A	83,380

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

2016	\$	29,335
2017		29,335
2018		36,894
2019		59,282
2020		-
Thereafter ⁽⁴⁾		-

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

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

4.B. RISK MANAGEMENT

The County is exposed to various risks of loss relating to general liability, the accidental loss of real and personal property, damage to County assets, error and omissions and personnel risks which relate to workers compensation. The county carries commercial insurance through the Texas Association of Counties for workers compensation and Trident Insurance Services, LLC for other coverages in order to manage the above listed risks.

4.C. HEALTH INSURANCE

All regular full-time employees of the County are eligible for coverage under the group hospitalization, medical, dental and life insurance program provided by the County. The County pays the premium for eligible employees. Employees, at their option, may authorize payroll withholdings to pay premiums for eligible family members.

4.D. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor agency cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

4.E. DEFERRED COMPENSATION PLAN

The County offers all its employees a deferred compensation program through the National Association of Counties, which plan is administered by Public Employees Benefit Services Corporation (PEBSCO). The plan, created in accordance with Internal Revenue Code Section 457, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the County, subject only to the claims of the County's general creditors. Participants' rights under the plan are equal to those of general creditors of the County in an amount equal to the fair market value of the deferred account for each participant.

The County has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

At September 30, 2016, the participants had a balance of \$141,423 in the plan.

4.F. FUND BALANCE DEFICIT

The General Fund had a fund balance deficit of \$49,915 at September 30, 2016. This deficit will be funded in fiscal year 2017 with transfers from other funds.

4.G. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures in the General Fund exceeded the budgeted appropriations in several functions but not in total.

4.H. PRIOR PERIOD ADJUSTMENT

The prior period adjustment in the government wide Statement of Activities was made to correct the ending pension asset in accordance with GASB Statement No. 68. The revised net asset for the County as provided by the Texas County and District Retirement System was increased by \$103,713. The restated net position in the Statement of Activities is \$5,168,416.

4.I. SUBSEQUENT EVENTS

The County has evaluated subsequent events through July 26, 2017, the date which the financial statements were available to be issued. The County is not aware of any subsequent events that materially impact the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property Taxes	\$ 1,233,330	\$ 1,261,910	\$ 1,262,114	\$ 204
General Sales and Use Taxes	65,000	59,476	60,442	966
Other Taxes	400	395	365	(30)
Penalty and Interest on Taxes	500	1,561	1,561	-
Licenses and Permits	6,150	9,822	9,822	-
Intergovernmental Revenue and Grants	163,961	227,748	251,442	23,694
Charges for Services	358,561	326,317	335,522	9,205
Fines	875,000	744,099	685,179	(58,920)
Investment Earnings	950	496	496	-
Contributions & Donations from Private Sources	-	25,000	25,596	596
Other Revenue	33,160	40,963	35,859	(5,104)
Total Revenues	<u>2,737,012</u>	<u>2,697,787</u>	<u>2,668,398</u>	<u>(29,389)</u>
EXPENDITURES:				
Current:				
General Government:				
General Administration	139,918	121,127	121,127	-
Financial Administration	66,270	67,181	67,682	(501)
Tax Administration	132,622	136,083	136,083	-
Facilities Management	50,148	53,415	53,830	(415)
Public Safety:				
Law Enforcement	550,901	528,762	526,723	2,039
Corrections	236,596	256,443	257,980	(1,537)
Emergency Management Services	126,372	133,037	133,749	(712)
Sanitation	14,220	34,054	34,415	(361)
Administration of Justice	818,790	768,423	734,707	33,716
Juvenile Services	59,900	61,942	61,941	1
Health and Human Services	184,242	188,037	193,531	(5,494)
Culture and Recreation:				
Recreation	29,055	23,627	23,295	332
Parks	25,700	28,688	29,739	(1,051)
Museums	1,800	1,800	1,800	-
Libraries	34,343	28,823	28,823	-
Conservation and Development	105,926	94,797	94,944	(147)
Debt Service:				
Other Debt Principal	22,091	-	22,091	(22,091)
Other Debt Interest	1,718	-	1,718	(1,718)
Capital Outlay:				
Capital Outlay	14,000	148,468	123,454	25,014
Total Expenditures	<u>2,614,612</u>	<u>2,674,707</u>	<u>2,647,632</u>	<u>27,075</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>122,400</u>	<u>23,080</u>	<u>20,766</u>	<u>(2,314)</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	5,000	210	210	-
Non-Current Loans	58,420	126,685	126,685	-
Transfers In	6,200	6,900	6,900	-
Transfers Out (Use)	(192,245)	(157,100)	(164,000)	(6,900)
Total Other Financing Sources (Uses)	<u>(122,625)</u>	<u>(23,305)</u>	<u>(30,205)</u>	<u>(6,900)</u>

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

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

EXHIBIT G-1 (Cont'd)

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Net Change in Fund Balances	(225)	(225)	(9,439)	(9,214)
Fund Balance - October 1 (Beginning)	(40,476)	(40,476)	(40,476)	-
Fund Balance - September 30 (Ending)	\$ (40,701)	\$ (40,701)	\$ (49,915)	\$ (9,214)

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

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

EXHIBIT G-2

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
Intergovernmental Revenue and Grants	\$ 204,000	\$ 203,464	\$ 166,327	\$ (37,137)
Charges for Services	132,500	133,550	132,775	(775)
Fines	10,000	10,990	9,400	(1,590)
Rents and Royalties	900	900	900	-
Other Revenue	5,000	100	100	-
Total Revenues	<u>352,400</u>	<u>349,004</u>	<u>309,502</u>	<u>(39,502)</u>
EXPENDITURES:				
Current:				
General Government:				
General Administration	42,161	48,954	48,954	-
Roads and Bridges	445,738	471,884	434,980	36,904
Debt Service:				
Other Debt Principal	23,571	67,258	80,430	(13,172)
Bond Interest	17,001	17,001	3,829	13,172
Capital Outlay:				
Capital Outlay	41,948	2,543	-	2,543
Total Expenditures	<u>570,419</u>	<u>607,640</u>	<u>568,193</u>	<u>39,447</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(218,019)</u>	<u>(258,636)</u>	<u>(258,691)</u>	<u>(55)</u>
OTHER FINANCING SOURCES (USES):				
Sale of Real and Personal Property	-	9,205	9,205	-
Non-Current Loans	-	65,315	70,315	5,000
Transfers In	218,019	184,116	184,116	-
Total Other Financing Sources (Uses)	<u>218,019</u>	<u>258,636</u>	<u>263,636</u>	<u>5,000</u>
Change in Fund Balance	-	-	4,945	4,945
Fund Balance - October 1 (Beginning)	<u>4,818</u>	<u>4,818</u>	<u>4,818</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 4,818</u>	<u>\$ 4,818</u>	<u>\$ 9,763</u>	<u>\$ 4,945</u>

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

MENARD COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	2015	2014
Total Pension Liability		
Service Cost	\$ 149,860	\$ 141,059
Interest on Total Pension Liability	296,397	276,864
Effect of Plan Changes	51,701	-
Effect of Assumption Changes or Inputs	41,643	-
Effect of Economic/Demographic (Gains) or Losses	(170,816)	(30,234)
Benefit Payments/Refunds of Contributions	(190,743)	(202,283)
Net Change in Total Pension Liability	\$ 178,043	\$ 185,406
Total Pension Liability, Beginning	3,633,499	3,448,092
Total Pension Liability, Ending (a)	\$ 3,811,542	\$ 3,633,499
Fiduciary Net Position		
Employer Contributions	107,391	103,564
Member Contributions	85,913	82,851
Investment Income Net of Investment Expenses	8,270	241,758
Benefit Payments/Refunds of Contributions	(190,743)	(202,283)
Administrative Expenses	(2,684)	(2,837)
Other	(88,664)	(42,060)
Net Change in Fiduciary Net Position	\$ (80,516)	\$ 180,993
Fiduciary Net Position, Beginning	3,771,856	3,590,862
Fiduciary Net Position, Ending (b)	\$ 3,691,339	\$ 3,771,856
Net Pension Liability/(Asset), Ending = (a) – (b)	\$ 120,202	\$ (138,357)
Fiduciary Net Position as a % of Total Pension Liability	96.85%	103.81%
Pensionable Covered Payroll	\$ 1,227,324	\$ 1,183,592
Net Pension Liability as a % of Covered Payroll	9.79%	(11.69%)

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

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

MENARD COUNTY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Year Ending December 31	Actuarially Determined Contribution (¹)	Actual Employer Contribution (¹)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (²)	Actual Contribution as a % of Covered Payroll
2006	\$ 52,513	\$ 52,513	\$ -	\$ 693,694	\$ 7.6%
2007	58,176	58,176	-	796,933	7.3%
2008	57,553	57,553	-	790,567	7.3%
2009	64,330	64,330	-	872,861	7.4%
2010	72,135	72,135	-	857,730	8.4%
2011	77,665	77,665	-	931,239	8.3%
2012	83,841	83,841	-	984,044	8.5%
2013	96,887	96,887	-	1,107,282	8.7%
2014	101,671	103,564	(1,894)	1,183,592	8.7%
2015	99,413	107,391	(7,978)	1,227,324	8.8%

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

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

MENARD COUNTY
 NOTES TO THE SCHEDULE OF CONTRIBUTIONS
 SEPTEMBER 30, 2016

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	5.9 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, 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.

* Only changes effective 2015 and later are shown in the Notes to Schedule.

SUPPLEMENTARY INFORMATION

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

	Veterans Assistance Grant Fund	Lateral Road Fund	Court Reporter Fund	Appellate Judicial Fund
ASSETS				
Cash and Cash Equivalents	\$ (638)	\$ 675	\$ 1,259	\$ 149
Taxes Receivable	-	988	-	-
Allowance for Uncollectible Taxes (credit)	-	(30)	-	-
Receivables (Net)	-	87	30	10
Intergovernmental Receivables	1,087	-	-	-
Total Assets	<u>\$ 449</u>	<u>\$ 1,720</u>	<u>\$ 1,289</u>	<u>\$ 159</u>
LIABILITIES				
Accounts Payable	\$ 449	\$ -	\$ -	\$ -
Total Liabilities	<u>449</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	-	958	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>958</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Other Restricted Fund Balance	-	762	1,289	159
Total Fund Balances	<u>-</u>	<u>762</u>	<u>1,289</u>	<u>159</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 449</u>	<u>\$ 1,720</u>	<u>\$ 1,289</u>	<u>\$ 159</u>

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

Alternative Dispute Res Fund	Truancy Prevention Fund	Records Management Fund	Clerks Archival Fund	Courthouse Restoration Fund	Sherriff's Special Fund	County Attorney CC&P Fund	Pre-Trial Intervention Fund
\$ 5,990	\$ 3,205	\$ 14,726	\$ 8,123	\$ 318	\$ 15,173	\$ 71	\$ 13,710
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
45	486	305	260	36	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 6,035</u>	<u>\$ 3,691</u>	<u>\$ 15,031</u>	<u>\$ 8,383</u>	<u>\$ 354</u>	<u>\$ 15,173</u>	<u>\$ 71</u>	<u>\$ 13,710</u>
\$ -	\$ 1,648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,648	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,035	2,043	15,031	8,383	354	15,173	71	13,710
6,035	2,043	15,031	8,383	354	15,173	71	13,710
<u>\$ 6,035</u>	<u>\$ 3,691</u>	<u>\$ 15,031</u>	<u>\$ 8,383</u>	<u>\$ 354</u>	<u>\$ 15,173</u>	<u>\$ 71</u>	<u>\$ 13,710</u>

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

	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
Cash and Cash Equivalents	\$ 62,761	\$ 62,761
Taxes Receivable	988	988
Allowance for Uncollectible Taxes (credit)	(30)	(30)
Receivables (Net)	1,259	1,259
Intergovernmental Receivables	1,087	1,087
Total Assets	<u>\$ 66,065</u>	<u>\$ 66,065</u>
LIABILITIES		
Accounts Payable	\$ 2,097	\$ 2,097
Total Liabilities	<u>2,097</u>	<u>2,097</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable Revenue - Property Taxes	958	958
Total Deferred Inflows of Resources	<u>958</u>	<u>958</u>
FUND BALANCES		
Other Restricted Fund Balance	63,010	63,010
Total Fund Balances	<u>63,010</u>	<u>63,010</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 66,065</u>	<u>\$ 66,065</u>

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

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

	Veterans Assistance Grant Fund	Lateral Road Fund	Court Reporter Fund	Appellate Judicial Fund
REVENUES:				
Taxes:				
Property Taxes	\$ -	\$ 17,804	\$ -	\$ -
Penalty and Interest on Taxes	-	20	-	-
Intergovernmental Revenue and Grants	6,543	9,200	-	-
Charges for Services	-	-	390	215
Forfeits	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>6,543</u>	<u>27,024</u>	<u>390</u>	<u>215</u>
EXPENDITURES:				
Current:				
General Government:				
General Administration	-	-	-	-
Facilities Management	-	-	-	-
Public Safety:				
Law Enforcement	-	-	-	-
Administration of Justice	-	-	-	216
Health and Human Services	6,543	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	<u>6,543</u>	<u>-</u>	<u>-</u>	<u>216</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>27,024</u>	<u>390</u>	<u>(1)</u>
OTHER FINANCING SOURCES (USES):				
Non-Current Loans	-	-	-	-
Transfers Out (Use)	-	(27,016)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(27,016)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	8	390	(1)
Fund Balance - October 1 (Beginning)	<u>-</u>	<u>755</u>	<u>899</u>	<u>160</u>
Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ 763</u>	<u>\$ 1,289</u>	<u>\$ 159</u>

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

Alternative Dispute Res Fund	Truancy Prevention Fund	Records Management Fund	Clerks Archival Fund	Courthouse Restoration Fund	Sherriff's Special Fund	County Attorney CC&P Fund	Pre-Trial Intervention Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
635	-	7,692	5,998	1,322	-	-	6,923
-	-	-	-	-	247,272	-	-
-	-	-	-	208	-	-	-
-	5,984	-	-	-	-	-	-
<u>635</u>	<u>5,984</u>	<u>7,692</u>	<u>5,998</u>	<u>1,530</u>	<u>247,272</u>	<u>-</u>	<u>6,923</u>
-	-	-	7,981	-	-	-	-
-	-	-	-	9,994	-	-	-
-	5,984	-	-	-	127,335	-	-
-	-	4,157	-	-	-	-	3,613
-	-	-	-	-	-	-	-
-	-	-	-	-	137,640	-	-
-	5,984	4,157	7,981	9,994	264,975	-	3,613
<u>635</u>	<u>-</u>	<u>3,535</u>	<u>(1,983)</u>	<u>(8,464)</u>	<u>(17,703)</u>	<u>-</u>	<u>3,310</u>
-	-	-	-	21,000	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	21,000	-	-	-
635	-	3,535	(1,983)	12,536	(17,703)	-	3,310
5,400	2,043	11,496	10,365	(12,182)	32,876	71	10,400
<u>\$ 6,035</u>	<u>\$ 2,043</u>	<u>\$ 15,031</u>	<u>\$ 8,382</u>	<u>\$ 354</u>	<u>\$ 15,173</u>	<u>\$ 71</u>	<u>\$ 13,710</u>

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

	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES:		
Taxes:		
Property Taxes	\$ 17,804	\$ 17,804
Penalty and Interest on Taxes	20	20
Intergovernmental Revenue and Grants	15,743	15,743
Charges for Services	23,175	23,175
Forfeits	247,272	247,272
Contributions & Donations from Private Sources	208	208
Other Revenue	5,984	5,984
Total Revenues	<u>310,206</u>	<u>310,206</u>
EXPENDITURES:		
Current:		
General Government:		
General Administration	7,981	7,981
Facilities Management	9,994	9,994
Public Safety:		
Law Enforcement	133,319	133,319
Administration of Justice	7,986	7,986
Health and Human Services	6,543	6,543
Capital Outlay:		
Capital Outlay	137,640	137,640
Total Expenditures	<u>303,463</u>	<u>303,463</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,743</u>	<u>6,743</u>
OTHER FINANCING SOURCES (USES):		
Non-Current Loans	21,000	21,000
Transfers Out (Use)	(27,016)	(27,016)
Total Other Financing Sources (Uses)	<u>(6,016)</u>	<u>(6,016)</u>
Net Change in Fund Balance	727	727
Fund Balance - October 1 (Beginning)	<u>62,283</u>	<u>62,283</u>
Fund Balance - September 30 (Ending)	<u>\$ 63,010</u>	<u>\$ 63,010</u>

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

MENARD COUNTY, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	BALANCE OCTOBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2016
OFFICIALS' FEES ACCOUNTS FUND				
Assets:				
Cash and Cash Equivalents	\$ 164,491	\$ 1,689,294	\$ 1,728,770	\$ 125,015
Liabilities:				
Due to Others	\$ 164,491	\$ 1,689,294	\$ 1,728,770	\$ 125,015
 TOTAL AGENCY FUNDS				
Assets:				
Cash and Cash Equivalents	\$ 164,491	\$ 1,689,294	\$ 1,728,770	\$ 125,015
Liabilities:				
Due to Others	\$ 164,491	\$ 1,689,294	\$ 1,728,770	\$ 125,015

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