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TEXAS SOCIETY OF
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, 2017, 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, 2017**

MENARD COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017

MENARD COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2017, 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 38 through 39) and the schedule of changes in net pension liability and related ratios, schedule of employer contributions, and notes to the schedule of contributions (pages 40 through 43) 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 combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.


NEFFENDORF & KNOPP, P.C.
Fredericksburg, Texas

August 15, 2018

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, 2017. 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 \$5,072,278 (net position). Of this amount, \$310,261 (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 \$82,022 as a result of this year's operations.
- At September 30, 2017, the County's governmental funds reported combined ending fund balances of \$75,538, an increase of \$9,625 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 11-12 & 14-15) 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 19) 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 38-39, the Schedule of Changes in Net Pension Liability and Related Ratios, page 40, the Schedule of Employer Contributions, page 41 and the Notes to the Schedule of Contributions, page 43 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 11-12 & 14-15 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 decreased from \$5,154,301 to \$5,072,278. 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 \$310,261 at September 30, 2017. This decrease in governmental net position was the result of several factors. First, the County's revenues exceeded the expenditures by \$9,625. Second, the County paid principal on long-term debt in the amount of \$327,735. Third, the County recorded depreciation in the amounts of \$326,339. Fourth, the County received loan proceeds of \$150,000.

Table I
Menard County, Texas

NET POSITION
in thousands

| | <u>Governmental</u> <u>Activities</u> | |
|--------------------------------------|--|------------------------|
| | <u>2017</u> | <u>2016</u> |
| Current and Other Assets | \$ 404 | \$ 359 |
| Capital Assets | <u>5,547</u> | <u>5,873</u> |
| Total Assets | \$ <u>5,951</u> | \$ <u>6,232</u> |
| Deferred Outflow of Resources | | |
| Deferred Outflow Related to Pension | \$ 342 | \$ 382 |
| Deferred Charge on Refunding | <u>5</u> | <u>5</u> |
| Total Deferred Outflows of Resources | \$ <u>347</u> | \$ <u>387</u> |
| Long-Term Liabilities | \$ 683 | \$ 1,194 |
| Other Liabilities | <u>450</u> | <u>128</u> |
| Total Liabilities | \$ <u>1,133</u> | \$ <u>1,322</u> |
| Deferred Inflows of Resources | | |
| Deferred Inflow Related to Pension | \$ <u>93</u> | \$ <u>143</u> |
| Net Position: | | |
| Net Investment in | | |
| Capital Assets | \$ 4,653 | \$ 4,802 |
| Restricted | 109 | 116 |
| Unrestricted | <u>310</u> | <u>236</u> |
| Total Net Position | \$ <u><u>5,072</u></u> | \$ <u><u>5,154</u></u> |

Table II
Menard County, Texas

CHANGES IN NET POSITION
in thousands

| | <u>Governmental</u> <u>Activities</u> | |
|-------------------------------------|--|-----------------|
| | <u>2017</u> | <u>2016</u> |
| Revenues: | | |
| Charges for Services | \$ 1,299 | \$ 1,427 |
| Property Taxes | 1,439 | 1,413 |
| Sales Tax | 60 | 61 |
| Contributions/Grants | 30 | 26 |
| Investment Earnings | - | 1 |
| Miscellaneous | 48 | 84 |
| Grants & Contributions - Operating | 233 | 191 |
| Grants & Contributions - Capital | - | 242 |
| Total Revenue | <u>\$ 3,109</u> | <u>\$ 3,445</u> |
| Expenses: | | |
| General Administration | \$ 205 | \$ 191 |
| Financial Administration | 72 | 74 |
| Tax Administration | 144 | 144 |
| Facilities Management | 60 | 67 |
| Law Enforcement | 615 | 786 |
| Corrections | 261 | 280 |
| Emergency Management Services | 184 | 153 |
| Roads and Bridges | 243 | 349 |
| Sanitation | 31 | 36 |
| Administration of Justice | 866 | 802 |
| Juvenile Services | 70 | 73 |
| Health and Human Services | 203 | 263 |
| Recreation | 32 | 24 |
| Parks | 41 | 55 |
| Museums | 2 | 2 |
| Libraries | 30 | 32 |
| Conservation and Development | 105 | 102 |
| Bond and Other Interest | 27 | 26 |
| Total Expenses | <u>\$ 3,191</u> | <u>\$ 3,459</u> |
| Increase (Decrease) in Net Position | \$ (82) | \$ (14) |
| Net Position, Beginning | 5,154 | 5,065 |
| Prior Period Adjustment | - | 103 |
| Net Position, Ending | <u>\$ 5,072</u> | <u>\$ 5,154</u> |

The cost of all governmental activities this year was \$3,191,672. 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 \$1,439,433 because the other costs were paid by sales tax (\$58,726), operating and capital grants (\$233,010), user charges (\$1,298,617) and other miscellaneous (\$79,864).

THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 11) reported a combined fund balance of \$75,538, which is more than last year's total of \$65,912. Included in this year's total change in fund balance is an increase of \$16,589 in the County's General Fund. The primary reason for the General Fund's increase is due to revenues exceeded expenditures.

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, 2017, the County had \$9,768,041 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and other improvements.

CAPITAL ASSETS
in thousands

| | Governmental Activities | |
|--------------------------------|----------------------------|----------|
| | 2017 | 2016 |
| Land | \$ 106 | \$ 106 |
| Buildings | 5,235 | 5,235 |
| Improvements | 1,999 | 1,999 |
| Machinery & Equipment | 2,428 | 2,428 |
| Construction in Progress | - | - |
| Total Capital Assets | \$ 9,768 | \$ 9,768 |
| Less: Accumulated Depreciation | 4,221 | 3,895 |
| Capital Assets, Net | \$ 5,547 | \$ 5,873 |

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

DEBT

At September 30, 2017, the County had the following outstanding debt:

| | | Governmental | |
|------------------------|----|-------------------|-----------------|
| | | <u>Activities</u> | |
| | | <u>2017</u> | <u>2016</u> |
| Bonds Payable | \$ | 660 | \$ 775 |
| Notes Payable | | 218 | 265 |
| Capital Leases Payable | | <u>19</u> | <u>34</u> |
| Total Outstanding Debt | \$ | <u>897</u> | <u>\$ 1,074</u> |

At year-end, the County had \$660,000 in tax notes outstanding and \$236,738 in capital leases and loans outstanding. During the year, the County paid \$327,735 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 \$150,000.

More detailed information about the County's long-term liabilities is presented in Note 3.E., 3.F., 3.G. and 3.H. 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 2018 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 2018. Amounts available for appropriation in the budget are \$3,409,210 and expenditures are estimated to be \$3,409,210.

If these estimates are realized, the County's budgetary fund balances are expected to remain the same by the close of 2018.

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, 2017

EXHIBIT A-1

| | Primary Government |
|---|----------------------------|
| | Governmental Activities |
| ASSETS | |
| Cash and Cash Equivalents | \$ 66,019 |
| Receivables (net of allowance for uncollectibles) | 301,020 |
| Due from Other Governments | 37,172 |
| Capital Assets: | |
| Land | 106,000 |
| Buildings, Net | 3,443,465 |
| Improvements other than Buildings, Net | 1,654,276 |
| Machinery and Equipment, Net | 343,097 |
| Total Assets | 5,951,049 |
| DEFERRED OUTFLOW OF RESOURCES | |
| Deferred Charge for Refunding | 4,550 |
| Deferred Outflow Related to Pension Plan | 342,230 |
| Total Deferred Outflows of Resources | 346,780 |
| LIABILITIES | |
| Accounts Payable | 44,330 |
| Intergovernmental Payable | 65,986 |
| Accrued Interest Payable | 1,989 |
| Bonds Payable - Current | 120,000 |
| Capital Leases Payable - Current | 217,984 |
| Noncurrent Liabilities: | |
| Due in More Than One Year | 558,755 |
| Net Pension Liability | 123,541 |
| Total Liabilities | 1,132,585 |
| DEFERRED INFLOW OF RESOURCES | |
| Deferred Inflow Related to Pension Plan | 92,966 |
| Total Deferred Inflows of Resources | 92,966 |
| NET POSITION | |
| Net Investment in Capital Assets | 4,653,153 |
| Restricted for: | |
| Restricted for Debt Service | 6,633 |
| Restricted for Special Revenue | 102,231 |
| Unrestricted Net Position | 310,261 |
| Total Net Position | \$ 5,072,278 |

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, 2017

EXHIBIT B-1

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---------------------------------|---------------------|-------------------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Primary Gov. Governmental Activities |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| General Administration | \$ 205,112 | \$ 140,064 | \$ 25,299 | \$ (39,749) |
| Financial Administration | 74,253 | - | - | (74,253) |
| Tax Administration | 143,832 | - | - | (143,832) |
| Facilities Management | 59,696 | 3,960 | - | (55,736) |
| Law Enforcement | 614,469 | 827,039 | 36,760 | 249,330 |
| Corrections | 261,322 | - | - | (261,322) |
| Emergency Management Services | 184,439 | 15,007 | 24,250 | (145,182) |
| Roads and Bridges | 242,126 | 142,533 | 20,591 | (79,002) |
| Sanitation | 30,584 | - | 19,100 | (11,484) |
| Administration of Justice | 865,031 | 109,986 | 23,333 | (731,712) |
| Juvenile Services | 69,959 | - | 44,436 | (25,523) |
| Health and Human Services | 203,222 | 10,005 | 39,241 | (153,976) |
| Recreation | 31,729 | 15,007 | - | (16,722) |
| Parks | 41,454 | 35,016 | - | (6,438) |
| Museums | 2,006 | - | - | (2,006) |
| Libraries | 29,667 | - | - | (29,667) |
| Conservation and Development | 105,532 | - | - | (105,532) |
| Bond Interest | 21,088 | - | - | (21,088) |
| Other Debt Interest | 6,151 | - | - | (6,151) |
| TOTAL PRIMARY GOVERNMENT | \$ 3,191,672 | \$ 1,298,617 | \$ 233,010 | (1,660,045) |

General Revenues:

| | |
|---|------------------|
| Taxes: | |
| Property Taxes, Levied for General Purposes | 1,287,842 |
| Property Taxes, Levied for Debt Service | 127,295 |
| General Sales and Use Taxes | 58,726 |
| Other Taxes | 987 |
| Penalty and Interest on Taxes | 24,296 |
| Grants and Contributions Not Restricted | 30,441 |
| Investment Earnings | 398 |
| Miscellaneous Revenue | 48,038 |
| Total General Revenues | 1,578,023 |
| Change in Net Position | (82,022) |
| Net Position-- Beginning | 5,154,300 |
| Net Position--Ending | \$ 5,072,278 |

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

MENARD COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

| | General Fund | Road and Bridge Fund | JP Court Technology Fund |
|---|-------------------|----------------------------|--------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ (33,321) | \$ 33 | \$ 30,282 |
| Taxes Receivable | 94,770 | - | - |
| Allowance for Uncollectible Taxes (credit) | (2,843) | - | - |
| Receivables (Net) | 70,147 | 10,286 | 926 |
| Intergovernmental Receivables | 30,298 | 5,072 | - |
| Total Assets | <u>\$ 159,051</u> | <u>\$ 15,391</u> | <u>\$ 31,208</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ 34,464 | \$ 7,728 | \$ - |
| Intergovernmental Payable | 65,986 | - | - |
| Total Liabilities | <u>100,450</u> | <u>7,728</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue - Property Taxes | 91,927 | - | - |
| Total Deferred Inflows of Resources | <u>91,927</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Retirement of Long-Term Debt | - | - | - |
| Other Restricted Fund Balance | - | 7,663 | 31,208 |
| Unassigned Fund Balance | (33,326) | - | - |
| Total Fund Balances | <u>(33,326)</u> | <u>7,663</u> | <u>31,208</u> |
| Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 159,051</u> | <u>\$ 15,391</u> | <u>\$ 31,208</u> |

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

| Debt Service Fund | Other Funds | Total Governmental Funds |
|----------------------|------------------|--------------------------------|
| \$ 6,195 | \$ 62,830 | \$ 66,019 |
| 9,500 | 1,371 | 105,641 |
| (285) | (41) | (3,169) |
| 438 | 866 | 82,663 |
| - | 1,802 | 37,172 |
| <u>\$ 15,848</u> | <u>\$ 66,828</u> | <u>\$ 288,326</u> |
| \$ - | \$ 2,138 | \$ 44,330 |
| - | - | 65,986 |
| - | 2,138 | 110,316 |
| 9,215 | 1,330 | 102,472 |
| 9,215 | 1,330 | 102,472 |
| 6,633 | - | 6,633 |
| - | 63,360 | 102,231 |
| - | - | (33,326) |
| 6,633 | 63,360 | 75,538 |
| <u>\$ 15,848</u> | <u>\$ 66,828</u> | <u>\$ 288,326</u> |

MENARD COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

| | | |
|---|-----------|------------------|
| Total Fund Balances - Governmental Funds | \$ | 75,538 |
| 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. | | 4,801,758 |
| 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 2017 capital outlays and debt principal payments is to increase net position. | | 327,734 |
| This is the third 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 \$123,541, a Deferred Resource Outflow of \$342,230 and a Deferred Resource Inflow of \$92,966. The net effect of these was to increase the ending net position by \$125,723. | | 125,723 |
| The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | | (326,339) |
| 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. | | 67,864 |
| Net Position of Governmental Activities | \$ | 5,072,278 |

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

MENARD COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | General Fund | Road and Bridge Fund | JP Court Technology Fund |
|---|-----------------|----------------------------|--------------------------------|
| REVENUES: | | | |
| Taxes: | | | |
| Property Taxes | \$ 1,259,460 | \$ - | \$ - |
| General Sales and Use Taxes | 58,726 | - | - |
| Other Taxes | 987 | - | - |
| Penalty and Interest on Taxes | 708 | - | - |
| Licenses and Permits | 3,960 | - | - |
| Intergovernmental Revenue and Grants | 208,600 | 11,392 | - |
| Charges for Services | 347,341 | 134,798 | - |
| Fines | 723,669 | - | 14,066 |
| Forfeits | - | - | - |
| Investment Earnings | 398 | - | - |
| Rents and Royalties | - | 900 | - |
| Contributions & Donations from Private Sources | 24,133 | - | - |
| Other Revenue | 29,553 | 694 | - |
| Total Revenues | 2,657,535 | 147,784 | 14,066 |
| EXPENDITURES: | | | |
| Current: | | | |
| General Government: | | | |
| General Administration | 129,124 | 51,853 | - |
| Financial Administration | 67,402 | - | - |
| Tax Administration | 129,270 | - | - |
| Facilities Management | 53,614 | - | - |
| Public Safety: | | | |
| Law Enforcement | 493,922 | - | - |
| Corrections | 235,241 | - | - |
| Emergency Management Services | 165,890 | - | - |
| Roads and Bridges | - | 217,682 | - |
| Sanitation | 27,447 | - | - |
| Administration of Justice | 750,254 | - | 18,691 |
| Juvenile Services | 63,301 | - | - |
| Health and Human Services | 171,527 | - | - |
| Culture and Recreation: | | | |
| Recreation | 28,495 | - | - |
| Parks | 37,202 | - | - |
| Museums | 1,800 | - | - |
| Libraries | 26,741 | - | - |
| Conservation and Development | 94,945 | - | - |
| Debt Service: | | | |
| Bond Principal | - | - | - |
| Other Debt Principal | 174,491 | 38,244 | - |
| Bond Interest | - | - | - |
| Other Debt Interest | 6,151 | 3,295 | - |
| Total Expenditures | 2,656,817 | 311,074 | 18,691 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 718 | (163,290) | (4,625) |
| OTHER FINANCING SOURCES (USES): | | | |
| Noncurrent Loans | 150,000 | - | - |
| Transfers In | 7,871 | 161,190 | - |
| Transfers Out (Use) | (142,000) | - | - |
| Total Other Financing Sources (Uses) | 15,871 | 161,190 | - |
| Net Change in Fund Balances | 16,589 | (2,100) | (4,625) |
| Fund Balance - October 1 (Beginning) | (49,915) | 9,763 | 35,833 |
| Fund Balance - September 30 (Ending) | \$ (33,326) | \$ 7,663 | \$ 31,208 |

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

| Debt Service Fund | Other Funds | Total Governmental Funds |
|----------------------|------------------|--------------------------------|
| \$ 131,710 | \$ 17,749 | \$ 1,408,919 |
| - | - | 58,726 |
| - | - | 987 |
| - | 9 | 717 |
| - | - | 3,960 |
| - | 19,320 | 239,312 |
| - | 18,089 | 500,228 |
| - | - | 737,735 |
| - | 47,268 | 47,268 |
| - | - | 398 |
| - | - | 900 |
| - | 6 | 24,139 |
| - | 6,362 | 36,609 |
| <u>131,710</u> | <u>108,803</u> | <u>3,059,898</u> |
| - | 2,574 | 183,551 |
| - | - | 67,402 |
| - | - | 129,270 |
| - | - | 53,614 |
| - | 59,292 | 553,214 |
| - | - | 235,241 |
| - | - | 165,890 |
| - | - | 217,682 |
| - | - | 27,447 |
| - | 8,344 | 777,289 |
| - | - | 63,301 |
| - | 11,182 | 182,709 |
| - | - | 28,495 |
| - | - | 37,202 |
| - | - | 1,800 |
| - | - | 26,741 |
| - | - | 94,945 |
| 115,000 | - | 115,000 |
| - | - | 212,735 |
| 17,299 | - | 17,299 |
| - | - | 9,446 |
| <u>132,299</u> | <u>81,392</u> | <u>3,200,273</u> |
| <u>(589)</u> | <u>27,411</u> | <u>(140,375)</u> |
| - | - | 150,000 |
| - | - | 169,061 |
| - | (27,061) | (169,061) |
| - | (27,061) | 150,000 |
| <u>(589)</u> | <u>350</u> | <u>9,625</u> |
| <u>7,222</u> | <u>63,010</u> | <u>65,913</u> |
| <u>\$ 6,633</u> | <u>\$ 63,360</u> | <u>\$ 75,538</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, 2017

| | | |
|---|-----------|-----------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ | 9,625 |
| 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 2017 capital outlays and debt principal payments is to increase the change in net position. | | 327,734 |
| The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expenses were \$155,434 and total debits to expenses were \$147,735. The net effect on the change in net position on Exhibit B-1 is an increase of \$7,699. | | 7,699 |
| 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. | | (326,339) |
| 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. | | (100,741) |
| Change in Net Position of Governmental Activities | <u>\$</u> | <u>(82,022)</u> |

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

MENARD COUNTY, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2017

| | Private Purpose Trust Funds | Agency Fund |
|---------------------------------|-----------------------------------|-------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 1,878 | \$ 103,074 |
| Accounts Receivable Net | 20 | - |
| Total Assets | <u>1,898</u> | <u>\$ 103,074</u> |
| LIABILITIES | | |
| Due to Others | - | \$ 103,074 |
| Total Liabilities | <u>-</u> | <u>\$ 103,074</u> |
| NET POSITION | | |
| Restricted for Private Purposes | <u>1,898</u> | |
| Total Net Position | <u>\$ 1,898</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, 2017

| | 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>1,598</u> |
| Total Net Position September 30 (Ending) | <u><u>\$ 1,898</u></u> |

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

MENARD COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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, 2017 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 2016 tax roll, the total assessed valuation for Menard County was \$186,150,020 and the taxes assessed amounted to \$1,399,495. The total tax rate was \$.76101 per \$100 valuation and allocated \$.67885 to the General and \$.07248 to the Debt Service Fund. In addition, for the 2016 tax roll, the total assessed valuation for Menard County FCLR was \$184,360,000 and the taxes assessed amounted to \$17,857. The total tax rate was \$.00968.

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, 2017 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, 2017 the carrying amount of the County's deposits was \$67,697 and the bank balance was \$92,341. The County's cash deposits held at First State Bank and Menard National Bank at September 30, 2017 and during the year ended September 30, 2017 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, 2017, 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, 2017.

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 | \$ 94,770 | \$ 2,843 | \$ 91,927 |
| Lateral Road Fund | 1,371 | 41 | 1,330 |
| Debt Service Fund | 9,500 | 285 | 9,215 |
| | | | |
| TOTAL - ALL FUNDS | <u>\$ 105,641</u> | <u>\$ 3,169</u> | <u>\$ 102,472</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 \$115,885 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, 2017.

| | Primary Government | | | |
|--------------------------------|----------------------|---------------------|-------------|---------------------|
| | Beginning Balance | Additions | Retirements | Ending Balance |
| Governmental Activities: | | | | |
| Land | \$ 106,000 | \$ - | \$ - | \$ 106,000 |
| Buildings | 5,235,073 | - | - | 5,235,073 |
| Improvements | 1,998,910 | - | - | 1,998,910 |
| Machinery & Equipment | 2,428,058 | - | - | 2,428,058 |
| Construction Work in Progress | - | - | - | - |
| Totals at Historic Cost | <u>\$ 9,768,041</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,768,041</u> |
| Less Accumulated | | | | |
| Depreciation for: | | | | |
| Buildings | 1,673,894 | 117,714 | - | 1,791,608 |
| Improvements | 279,977 | 64,657 | - | 344,634 |
| Machinery & Equipment | 1,940,993 | 143,968 | - | 2,084,961 |
| Total Accumulated Depreciation | <u>\$ 3,894,864</u> | <u>\$ 326,339</u> | <u>\$ -</u> | <u>\$ 4,221,203</u> |
| | | | | |
| Governmental Activities | | | | |
| Capital Assets, Net | <u>\$ 5,873,177</u> | <u>\$ (326,339)</u> | <u>\$ -</u> | <u>\$ 5,546,838</u> |

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

| | |
|--|-------------------|
| Governmental Activities: | |
| Financial Administration | \$ 7,445 |
| General Administration | 21,969 |
| Tax Administration | 14,776 |
| Emergency Management | 18,962 |
| Law Enforcement | 63,311 |
| Parks | 4,252 |
| Corrections | 26,888 |
| Roads & Bridges | 24,983 |
| Sanitation | 3,137 |
| Justice System | 88,996 |
| Juvenile Services | 7,235 |
| Health & Human Services | 20,884 |
| Recreation | 3,257 |
| Conservation & Development | 10,853 |
| Museums | 206 |
| Facilities Management | 6,128 |
| Libraries | <u>3,057</u> |
| Total Depreciation Expense- Governmental Activities | <u>\$ 326,339</u> |

3.E. LONG-TERM DEBT

Governmental Activities

As of September 30, 2017, 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 | \$ 218,303 | \$ 150,000 | \$ 174,492 | \$ 193,811 | \$ 177,867 |
| Menard Bank | 47,000 | - | 23,092 | 23,908 | 23,908 |
| Limited Tax Refunding Bonds- | | | | | |
| Series 2005 | - | - | - | - | - |
| Series 2007 | - | - | - | - | - |
| Series 2009 | - | - | - | - | - |
| Series 2013 | 775,000 | - | 115,000 | 660,000 | 120,000 |
| Capital Leases | | | | | |
| CNH Capital | <u>34,170</u> | <u>-</u> | <u>15,151</u> | <u>19,019</u> | <u>16,209</u> |
| Governmental Activity Long-Term Debt | <u>\$ 1,074,473</u> | <u>\$ 150,000</u> | <u>\$ 327,735</u> | <u>\$ 896,738</u> | <u>\$ 337,984</u> |

3.F. GENERAL OBLIGATION AND TAX REFUNDING BONDS

Certificates of Obligation payable at September 30, 2017 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>660,000</u> |
| Total Limited Tax Refunding Bonds | \$ <u><u>660,000</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 |
|----------------------------|--------------------------|-------------------------|--------------------------|
| 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 | 90,000 | 3,255 | 93,255 |
| 2023 – 2027 | 90,000 | 1,085 | 91,085 |
| Totals | \$ <u><u>660,000</u></u> | \$ <u><u>45,025</u></u> | \$ <u><u>705,025</u></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:

| <u>Description</u> | <u>Refunded Amount</u> |
|--------------------------------|----------------------------|
| Tax Notes and Refunding Bonds- | |
| Series 2005 | \$ 110,000 |
| Series 2007 | 235,000 |
| Series 2009 | <u>-</u> |
| TOTAL | <u><u>\$ 345,000</u></u> |

3.H. OTHER LONG-TERM DEBT

Lease purchase agreements and loans payable at September 30, 2017 consists of the following:

| | |
|--|---------------------------------|
| \$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% | 12,542 |
| \$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% | 31,267 |
| \$150,000 note agreement with First State Bank for expenses, due in one year, 08/28/2017, interest at 4.25% | 150,000 |
| \$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% | 23,908 |
| \$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>19,019</u> |
| TOTAL LOANS AND LEASE PURCHASE AGREEMENTS | \$ <u><u>236,736</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, 2017 follows:

| Year Ended September 30 | |
|-----------------------------------|--------------------------|
| 2018 | 227,949 |
| 2019 | <u>19,427</u> |
| Total Minimum Debt Payments | \$ 247,376 |
| Less Amount Representing Interest | <u>10,640</u> |
| Present Value of Debt Payments | <u><u>\$ 236,736</u></u> |

3.1. INTERFUND TRANSFERS

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

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|--------------------------------|---------------------|----------------------|
| General Fund | \$ 7,871 | \$ 142,000 |
| Road and Bridge Fund | 161,190 | - |
| Nonmajor Special Revenue Funds | - | 27,061 |
| | <u>\$ 169,061</u> | <u>\$ 169,061</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) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS 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 165%) 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 TCDRS 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 TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Members covered by benefit terms.

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

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefits | 18 |
| Inactive employees entitled to but not yet receiving benefits | 38 |
| Active employees | <u>45</u> |
| | 101 |

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 2016 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, 2017 were \$105,171, and were equal to the required contributions.

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 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 2017 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 (2) |
|--|---|--------------------------|--------------------------------------|
| U.S. Equities | Dow Jones U.S. Total Stock Market Index | 13.50% | 4.70% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾ | 16.00% | 7.70% |
| Global Equities | MSCI World (Net) Index | 1.50% | 5.00% |
| International Equities – Developed Markets | MSCI World Ex USA (Net) | 10.00% | 4.70% |
| International Equities – Emerging Markets | MSCI EM Standard (Net) Index | 7.00% | 5.70% |
| Investment – Grade Bonds | Bloomberg Barclays US Aggregate Bond Index | 3.00% | 0.60% |
| High-Yield Bonds | Citigroup High-Yield Cash-Pay Capped Index | 3.00% | 3.70% |

| Asset Class | Benchmark | Target Allocation (1) | Geometric Real Rate of Return (2) |
|------------------------------------|---|--------------------------|--------------------------------------|
| Opportunistic Credit | Citigroup High-Yield Cash-Pay Capped Index | 2.00% | 3.83% |
| Direct Lending | S&P/LSTA Leveraged Loan Index | 10.00% | 8.15% |
| Distressed Debt | Cambridge Associates Distressed Securities Index ⁽⁴⁾ | 3.00% | 6.70% |
| REIT Equities | 67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index | 2.00% | 3.85% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 3.00% | 5.60% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index ⁽⁵⁾ | 6.00% | 7.20% |
| Hedge Funds | Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index | 20.00% | 3.85% |

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

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

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

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

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

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 | Fiduciary Net Position | Net Pension Liability/(Asset) |
| | (a) | (b) | (a)-(b) |
| Balances as of December 31, 2015 | \$ 3,811,542 | \$ 3,691,339 | \$ 120,202 |
| Changes for the Year: | | | |
| Service Cost | 161,341 | | 161,341 |
| Interest on Total Pension Liability ⁽¹⁾ | 307,652 | | 307,652 |
| Effect of Plan Changes ⁽²⁾ | - | | - |
| Effects of Economic/Demographic Gains or Losses | 31,047 | | 31,047 |

| Changes in Net Pension Liability / (Asset) | Increase/(Decrease) | | |
|---|----------------------------|---------------------------|----------------------------------|
| | Total Pension Liability | Fiduciary Net Position | Net Pension Liability/(Asset) |
| | (a) | (b) | (a)-(b) |
| Effect of Assumptions Changes or Inputs | - | - | - |
| Refund of Contributions | (10,540) | (10,540) | - |
| Benefit Payments | (178,059) | (178,059) | - |
| Administrative Expenses | | (2,966) | 2,966 |
| Member Contributions | | 87,970 | (87,970) |
| Net Investment Income | | 273,042 | (273,042) |
| Employer Contributions | | 109,962 | (109,962) |
| Other ⁽³⁾ | - | 28,693 | (28,693) |
| Balances as of December 31, 2016 | \$ 4,122,983 | \$ 3,999,441 | \$ 123,542 |

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

⁽²⁾ No plan changes valued.

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

Sensitivity Analysis

The following presents the net pension liability of the county/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 7.10% | Current Discount Rate 8.10% | 1% Increase 9.10% |
|-------------------------------|-------------------------|--------------------------------------|-------------------------|
| Total Pension Liability | \$ 4,580,627 | \$ 4,122,983 | \$ 3,736,481 |
| Fiduciary Net Position | 3,999,441 | 3,999,441 | 3,999,441 |
| Net Pension Liability/(Asset) | \$ 581,186 | \$ 123,542 | \$ (262,960) |

Pension Expense / (Income)

| Prepaid Expense/(Income) | January 1, 2016 to December 31, 2016 |
|---|---|
| Service Cost | \$ 161,341 |
| Interest on Total Pension Liability ⁽¹⁾ | 307,652 |
| Effect of Plan Changes | - |
| Administrative Expenses | 2,966 |
| Member Contributions | (87,970) |
| Expected Investment Return Net of Investment Expenses | (300,391) |
| Recognition of Deferred Inflows/Outflows of Resources | |
| Recognition of Economic/Demographic Gains or Losses | (42,501) |
| Recognition of Assumption Changes or Inputs | 10,411 |
| Recognition of Investment Gains or Losses | 74,657 |
| Other ⁽²⁾ | (28,693) |
| Pension Expense/(Income) | \$ 97,473 |

⁽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, 2017, 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 | \$ 92,966 | \$ 23,285 |
| Changes of assumptions | - | 20,822 |
| Net difference between projected and actual earnings | - | 219,535 |
| Contributions made subsequent to measurement date | N/A | 78,588 |

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

| | | |
|---------------------------|----|--------|
| 2017 | \$ | 42,567 |
| 2018 | | 50,125 |
| 2019 | | 72,513 |
| 2020 | | 5,470 |
| 2021 | | - |
| Thereafter ⁽³⁾ | | - |

⁽³⁾ 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, 2017, the participants had a balance of \$162,059 in the plan.

4.F. FUND BALANCE DEFICIT

The General Fund and Veterans Assistance Grant Fund has a fund balance deficit of \$33,326 and \$1,062, respectively. These deficits will be funded in fiscal year 2018 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. SUBSEQUENT EVENTS

The County has evaluated subsequent events through August 15, 2018 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, 2017

| | Budgeted Amounts | | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|--------------------|--------------------|-----------------------------------|--|
| | Original | Final | | |
| REVENUES: | | | | |
| Taxes: | | | | |
| Property Taxes | \$ 1,238,405 | \$ 1,261,474 | \$ 1,259,460 | \$ (2,014) |
| General Sales and Use Taxes | 60,000 | 58,147 | 58,726 | 579 |
| Other Taxes | 1,025 | 977 | 987 | 10 |
| Penalty and Interest on Taxes | 500 | 708 | 708 | - |
| Licenses and Permits | 6,500 | 3,960 | 3,960 | - |
| Intergovernmental Revenue and Grants | 186,759 | 195,649 | 208,600 | 12,951 |
| Charges for Services | 347,842 | 340,094 | 347,341 | 7,247 |
| Fines | 758,023 | 748,746 | 723,669 | (25,077) |
| Investment Earnings | 500 | 395 | 398 | 3 |
| Contributions & Donations from Private Sources | - | - | 24,133 | 24,133 |
| Other Revenue | 51,200 | 60,739 | 29,553 | (31,186) |
| Total Revenues | 2,650,754 | 2,670,889 | 2,657,535 | (13,354) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Administration | 133,846 | 137,635 | 129,124 | 8,511 |
| Financial Administration | 66,008 | 67,069 | 67,402 | (333) |
| Tax Administration | 132,211 | 129,060 | 129,270 | (210) |
| Facilities Management | 49,590 | 55,850 | 53,614 | 2,236 |
| Law Enforcement | 505,885 | 490,924 | 493,922 | (2,998) |
| Corrections | 210,871 | 225,954 | 235,241 | (9,287) |
| Emergency Management Services | 90,084 | 166,187 | 165,890 | 297 |
| Sanitation | 25,320 | 31,456 | 27,447 | 4,009 |
| Administration of Justice | 796,196 | 755,794 | 750,254 | 5,540 |
| Juvenile Services | 60,226 | 63,145 | 63,301 | (156) |
| Health and Human Services | 165,866 | 171,197 | 171,527 | (330) |
| Recreation | 29,180 | 28,518 | 28,495 | 23 |
| Parks | 27,500 | 33,638 | 37,202 | (3,564) |
| Museums | 1,800 | 1,800 | 1,800 | - |
| Libraries | 32,673 | 26,728 | 26,741 | (13) |
| Conservation and Development | 107,077 | 95,138 | 94,945 | 193 |
| Debt Service: | | | | |
| Other Debt Principal | 183,866 | 180,642 | 180,642 | - |
| Total Expenditures | 2,618,199 | 2,660,735 | 2,656,817 | 3,918 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 32,555 | 10,154 | 718 | (9,436) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of Real and Personal Property | 5,000 | - | - | - |
| Noncurrent Loans | 130,000 | 150,000 | 150,000 | - |
| Transfers In | - | 71 | 7,871 | 7,800 |
| Transfers Out (Use) | (141,530) | (134,200) | (142,000) | (7,800) |
| Total Other Financing Sources (Uses) | (6,530) | 15,871 | 15,871 | - |
| Net Change in Fund Balances | 26,025 | 26,025 | 16,589 | (9,436) |
| Fund Balance - October 1 (Beginning) | (49,915) | (49,915) | (49,915) | - |
| Fund Balance - September 30 (Ending) | \$ (23,890) | \$ (23,890) | \$ (33,326) | \$ (9,436) |

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, 2017

| | Budgeted Amounts | | Actual | Variance With |
|---|------------------|------------------|--------------------------|---|
| | Original | Final | GAAP BASIS (See Note) | Final Budget Positive or (Negative) |
| REVENUES: | | | | |
| Intergovernmental Revenue and Grants | \$ - | \$ 13,130 | \$ 11,392 | \$ (1,738) |
| Charges for Services | 132,500 | 135,453 | 134,798 | (655) |
| Fines | 10,900 | - | - | - |
| Rents and Royalties | 900 | 900 | 900 | - |
| Other Revenue | - | 694 | 694 | - |
| Total Revenues | <u>144,300</u> | <u>150,177</u> | <u>147,784</u> | <u>(2,393)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government: | | | | |
| General Administration | 50,329 | 51,851 | 51,853 | (2) |
| Roads and Bridges | 227,452 | 217,977 | 217,682 | 295 |
| Debt Service: | | | | |
| Other Debt Service | 41,539 | 41,539 | 41,539 | - |
| Total Expenditures | <u>319,320</u> | <u>311,367</u> | <u>311,074</u> | <u>293</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(175,020)</u> | <u>(161,190)</u> | <u>(163,290)</u> | <u>(2,100)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Sale of Real and Personal Property | 6,575 | - | - | - |
| Transfers In | 168,445 | 161,190 | 161,190 | - |
| Total Other Financing Sources (Uses) | <u>175,020</u> | <u>161,190</u> | <u>161,190</u> | <u>-</u> |
| Change in Fund Balance | - | - | (2,100) | (2,100) |
| Fund Balance - October 1 (Beginning) | 9,763 | 9,763 | 9,763 | - |
| Fund Balance - September 30 (Ending) | <u>\$ 9,763</u> | <u>\$ 9,763</u> | <u>\$ 7,663</u> | <u>\$ (2,100)</u> |

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
 SEPTEMBER 30, 2017

| | FY 2017 Plan Year 2016 | FY 2016 Plan Year 2015 | FY 2015 Plan Year 2014 |
|--|---------------------------|---------------------------|---------------------------|
| A. Total Pension Liability | | | |
| Service Cost | \$ 161,341 | \$ 149,860 | \$ 141,059 |
| Interest (on the Total Pension Liability) | 307,652 | 296,397 | 276,864 |
| Changes of Benefit Terms | -0- | 51,701 | -0- |
| Difference between Expected and Actual Experience | 31,047 | (170,816) | (30,234) |
| Changes of Assumptions | -0- | 41,643 | -0- |
| Benefit Payments, including refunds of employee contributions | (188,600) | (190,743) | (202,283) |
| Net change in Total Pension Liability | \$ 311,441 | \$ 178,043 | \$ 185,406 |
| Total Pension Liability - Beginning | 3,811,542 | 3,633,499 | 3,448,092 |
| Total Pension Liability - Ending | \$ 4,122,983 | \$ 3,811,542 | \$ 3,633,498 |
| B. Total Fiduciary Net Position | | | |
| Contributions - Employer | \$ 109,962 | \$ 107,391 | \$ 103,564 |
| Contributions - Employee | 87,970 | 85,913 | 82,851 |
| Net Investment Income | 273,042 | 8,270 | 241,758 |
| Benefit Payments, including refunds of employee contributions | (188,600) | (190,743) | (202,283) |
| Administrative Expense | (2,966) | (2,684) | (2,837) |
| Other | 28,693 | (88,664) | (42,060) |
| Net Change in Plan Fiduciary Net Position | \$ 308,101 | \$ (80,516) | \$ 180,993 |
| Plan Fiduciary Net Position - Beginning | 3,691,339 | 3,771,856 | 3,590,862 |
| Plan Fiduciary Net Position - Ending | \$ 3,999,440 | \$ 3,691,340 | \$ 3,771,855 |
| C. Net Pension Liability | \$ 123,542 | \$ 120,202 | \$ (138,357) |
| D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 97.00% | 96.85% | 103.81% |
| E. Covered Employee Payroll | \$ 1,256,714 | \$ 1,227,324 | \$ 1,183,592 |
| F. Net Pension Liability as a Percentage of Covered Employee Payroll | 9.83% | 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.

Note: Only three years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

MENARD COUNTY, TEXAS
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SEPTEMBER 30, 2017

| | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|
| Actuarially Determined Contribution | \$ 104,433 | \$ 99,413 | \$ 101,671 |
| Contributions in Relation to the Actuarially Determined Contributions | 109,962 | 107,391 | 103,564 |
| Contribution Deficiency (Excess) | \$ (5,530) | \$ (7,978) | \$ (1,894) |
| Covered Employee Payroll | \$ 1,256,714 | \$ 1,227,324 | \$ 1,183,592 |
| Contributions as a Percentage of Covered Employee Payroll | 8.70% | 8.80% | 8.70% |

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

| | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|----|-----------|------------|------------|------------|------------|------------|---------|
| \$ | 96,887 | \$ 83,841 | \$ 77,665 | \$ 72,135 | \$ 64,330 | \$ 57,553 | 58,176 |
| | 96,887 | 83,841 | 77,665 | 72,135 | 64,330 | 57,553 | 58,176 |
| \$ | -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ -0- | -0- |
| \$ | 1,107,282 | \$ 984,044 | \$ 931,239 | \$ 857,730 | \$ 872,861 | \$ 790,567 | 796,933 |
| | 8.70% | 8.50% | 8.30% | 8.40% | 7.40% | 7.30% | 7.30% |

MENARD COUNTY
 NOTES TO THE SCHEDULE OF CONTRIBUTIONS
 SEPTEMBER 30, 2017

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 | 6.6 years (based on contribution rate calculated in 12/31/2016 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 of Employer Contributions* | 2015: No changes in plan provisions. 2016: Employer contributions reflect that a 10% CPI COLA was adopted. |

* 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, 2017

| | Veterans Assistance Grant Fund | Lateral Road Fund | Court Reporter Fund | Appellate Judicial Fund |
|--|--------------------------------------|-------------------------|---------------------------|-------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ (2,513) | \$ 675 | \$ 1,529 | \$ 149 |
| Taxes Receivable | - | 1,371 | - | - |
| Allowance for Uncollectible Taxes (credit) | - | (41) | - | - |
| Receivables (Net) | - | 55 | 15 | 9 |
| Intergovernmental Receivables | 1,802 | - | - | - |
| Total Assets | \$ (711) | \$ 2,060 | \$ 1,544 | \$ 158 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 351 | \$ - | \$ - | \$ - |
| Total Liabilities | 351 | - | - | - |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue - Property Taxes | - | 1,330 | - | - |
| Total Deferred Inflows of Resources | - | 1,330 | - | - |
| FUND BALANCES | | | | |
| Other Restricted Fund Balance | (1,062) | 730 | 1,544 | 158 |
| Total Fund Balances | (1,062) | 730 | 1,544 | 158 |
| Total Liabilities, Deferred Inflows & Fund Balances | \$ (711) | \$ 2,060 | \$ 1,544 | \$ 158 |

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 | Sheriff's Special Fund | County Attorney CC&P Fund | Pre-Trial Intervention Fund |
|------------------------------------|-------------------------------|-------------------------------|----------------------------|-----------------------------------|------------------------------|---------------------------------|-----------------------------------|
| \$ 6,545 | \$ 3,145 | \$ 18,187 | \$ 11,538 | \$ 1,499 | \$ 9,491 | \$ - | \$ 12,585 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 30 | 413 | 236 | 91 | 17 | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 6,575</u> | <u>\$ 3,558</u> | <u>\$ 18,423</u> | <u>\$ 11,629</u> | <u>\$ 1,516</u> | <u>\$ 9,491</u> | <u>\$ -</u> | <u>\$ 12,585</u> |
| <u>\$ -</u> | <u>\$ 1,495</u> | <u>\$ 292</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>-</u> | <u>1,495</u> | <u>292</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>6,575</u> | <u>2,063</u> | <u>18,131</u> | <u>11,629</u> | <u>1,516</u> | <u>9,491</u> | <u>-</u> | <u>12,585</u> |
| <u>6,575</u> | <u>2,063</u> | <u>18,131</u> | <u>11,629</u> | <u>1,516</u> | <u>9,491</u> | <u>-</u> | <u>12,585</u> |
| <u>\$ 6,575</u> | <u>\$ 3,558</u> | <u>\$ 18,423</u> | <u>\$ 11,629</u> | <u>\$ 1,516</u> | <u>\$ 9,491</u> | <u>\$ -</u> | <u>\$ 12,585</u> |

MENARD COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2017

| | Total Nonmajor Special Revenue Funds | Total Nonmajor Governmental Funds |
|---|---|--|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 62,830 | \$ 62,830 |
| Taxes Receivable | 1,371 | 1,371 |
| Allowance for Uncollectible Taxes (credit) | (41) | (41) |
| Receivables (Net) | 866 | 866 |
| Intergovernmental Receivables | 1,802 | 1,802 |
| Total Assets | <u>\$ 66,828</u> | <u>\$ 66,828</u> |
| LIABILITIES | | |
| Accounts Payable | \$ 2,138 | \$ 2,138 |
| Total Liabilities | <u>2,138</u> | <u>2,138</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Unavailable Revenue - Property Taxes | 1,330 | 1,330 |
| Total Deferred Inflows of Resources | <u>1,330</u> | <u>1,330</u> |
| FUND BALANCES | | |
| Other Restricted Fund Balance | 63,360 | 63,360 |
| Total Fund Balances | <u>63,360</u> | <u>63,360</u> |
| Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 66,828</u> | <u>\$ 66,828</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, 2017

| | Veterans Assistance Grant Fund | Lateral Road Fund | Court Reporter Fund | Appellate Judicial Fund |
|---|--------------------------------------|-------------------------|---------------------------|-------------------------------|
| REVENUES: | | | | |
| Taxes: | | | | |
| Property Taxes | \$ - | \$ 17,749 | \$ - | \$ - |
| Penalty and Interest on Taxes | - | 9 | - | - |
| Intergovernmental Revenue and Grants | 10,120 | 9,200 | - | - |
| Charges for Services | - | - | 255 | 195 |
| Forfeits | - | - | - | - |
| Contributions & Donations from Private Sources | - | - | - | - |
| Other Revenue | - | - | - | - |
| Total Revenues | <u>10,120</u> | <u>26,958</u> | <u>255</u> | <u>195</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| General Government: | | | | |
| General Administration | - | - | - | - |
| Public Safety: | | | | |
| Law Enforcement | - | - | - | - |
| Administration of Justice | - | - | - | 196 |
| Health and Human Services | 11,182 | - | - | - |
| Total Expenditures | <u>11,182</u> | <u>-</u> | <u>-</u> | <u>196</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(1,062)</u> | <u>26,958</u> | <u>255</u> | <u>(1)</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers Out (Use) | - | (26,990) | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(26,990)</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance | (1,062) | (32) | 255 | (1) |
| Fund Balance - October 1 (Beginning) | - | 762 | 1,289 | 159 |
| Fund Balance - September 30 (Ending) | <u>\$ (1,062)</u> | <u>\$ 730</u> | <u>\$ 1,544</u> | <u>\$ 158</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 | Sheriff's Special Fund | County Attorney CC&P Fund | Pre-Trial Intervention Fund |
|------------------------------------|-------------------------------|-------------------------------|----------------------------|-----------------------------------|------------------------------|---------------------------------|-----------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| 540 | - | 7,333 | 5,820 | 1,156 | - | - | 2,790 |
| - | - | - | - | - | 47,268 | - | - |
| - | - | - | - | 6 | - | - | - |
| - | 6,362 | - | - | - | - | - | - |
| <u>540</u> | <u>6,362</u> | <u>7,333</u> | <u>5,820</u> | <u>1,162</u> | <u>47,268</u> | <u>-</u> | <u>2,790</u> |
| - | - | - | 2,574 | - | - | - | - |
| - | 6,342 | - | - | - | 52,950 | - | - |
| - | - | 4,233 | - | - | - | - | 3,915 |
| - | - | - | - | - | - | - | - |
| <u>-</u> | <u>6,342</u> | <u>4,233</u> | <u>2,574</u> | <u>-</u> | <u>52,950</u> | <u>-</u> | <u>3,915</u> |
| <u>540</u> | <u>20</u> | <u>3,100</u> | <u>3,246</u> | <u>1,162</u> | <u>(5,682)</u> | <u>-</u> | <u>(1,125)</u> |
| - | - | - | - | - | - | (71) | - |
| - | - | - | - | - | - | (71) | - |
| 540 | 20 | 3,100 | 3,246 | 1,162 | (5,682) | (71) | (1,125) |
| <u>6,035</u> | <u>2,043</u> | <u>15,031</u> | <u>8,383</u> | <u>354</u> | <u>15,173</u> | <u>71</u> | <u>13,710</u> |
| <u>\$ 6,575</u> | <u>\$ 2,063</u> | <u>\$ 18,131</u> | <u>\$ 11,629</u> | <u>\$ 1,516</u> | <u>\$ 9,491</u> | <u>\$ -</u> | <u>\$ 12,585</u> |

MENARD COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

| | Total Nonmajor Special Revenue Funds | Total Nonmajor Governmental Funds |
|---|---|--|
| REVENUES: | | |
| Taxes: | | |
| Property Taxes | \$ 17,749 | \$ 17,749 |
| Penalty and Interest on Taxes | 9 | 9 |
| Intergovernmental Revenue and Grants | 19,320 | 19,320 |
| Charges for Services | 18,089 | 18,089 |
| Forfeits | 47,268 | 47,268 |
| Contributions & Donations from Private Sources | 6 | 6 |
| Other Revenue | 6,362 | 6,362 |
| Total Revenues | <u>108,803</u> | <u>108,803</u> |
| EXPENDITURES: | | |
| Current: | | |
| General Government: | | |
| General Administration | 2,574 | 2,574 |
| Public Safety: | | |
| Law Enforcement | 59,292 | 59,292 |
| Administration of Justice | 8,344 | 8,344 |
| Health and Human Services | 11,182 | 11,182 |
| Total Expenditures | <u>81,392</u> | <u>81,392</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>27,411</u> | <u>27,411</u> |
| OTHER FINANCING SOURCES (USES): | | |
| Transfers Out (Use) | <u>(27,061)</u> | <u>(27,061)</u> |
| Total Other Financing Sources (Uses) | <u>(27,061)</u> | <u>(27,061)</u> |
| Net Change in Fund Balance | 350 | 350 |
| Fund Balance - October 1 (Beginning) | <u>63,010</u> | <u>63,010</u> |
| Fund Balance - September 30 (Ending) | <u>\$ 63,360</u> | <u>\$ 63,360</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, 2017

| | BALANCE OCTOBER 1 2016 | ADDITIONS | DEDUCTIONS | BALANCE SEPTEMBER 30 2017 |
|--------------------------------------|------------------------------|--------------|--------------|---------------------------------|
| OFFICIALS' FEES ACCOUNTS FUND | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 125,015 | \$ 1,808,651 | \$ 1,830,592 | \$ 103,074 |
| Liabilities: | | | | |
| Due to Others | \$ 125,015 | \$ 1,808,651 | \$ 1,830,592 | \$ 103,074 |
| TOTAL AGENCY FUNDS | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 125,015 | \$ 1,808,651 | \$ 1,830,592 | \$ 103,074 |
| Liabilities: | | | | |
| Due to Others | \$ 125,015 | \$ 1,808,651 | \$ 1,830,592 | \$ 103,074 |

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

NEFFENDORF & KNOPP, P.C.

Certified Public Accountants

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MEMBER
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CERTIFIED PUBLIC ACCOUNTANTS

MEMBER
TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

August 15, 2018

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Menard, Texas for the year ended September 30, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 4, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Menard, Texas are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended September 30, 2017. We noted no transactions entered into by the County of Menard, Texas during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 15, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Menard's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Menard's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules, schedule of changes in net pension liability and schedule of employer contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements and individual nonmajor fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting record used to prepare the financial statements.

Recommendations

Justice of the Peace

Monthly bank reconciliations were not prepared by the JP's office. We again recommend that monthly bank reconciliations be prepared on a timely basis and reviewed by the JP.

Deposits of certified payments into the bank account were not reconciled to the certified payments list. The JP clerk will start reconciling the monthly deposits to the certified payments list and transferring that amount to the operating account.

Sheriff's Office

In the prior year we made several recommendations to establish basic accounting procedures for the two bank accounts (Abandoned Vehicle and Seizure Escrow). Some of the recommendations were implemented; however, the timely recording and reconciling of the bank accounts and receipts for all deposits and checks (including credit or debit cards) were not. We again recommend that these be implemented along with a monthly submission of the check registers and reconciliations to the Treasurer.

Officials Fee Accounts

The offices are not preparing on a monthly basis an accounting for cash in the bank accounts that contain fiduciary funds. We again recommend that on a monthly basis each office prepare an accounting for cash report for the bank accounts that contain fiduciary funds.

Deficit Fund Balances

At September 30, 2017, the General Fund and Veterans Assistance Grant Fund had deficit fund balances. We again recommend the County make the appropriate transfers before year-end to eliminate any deficit fund balances.

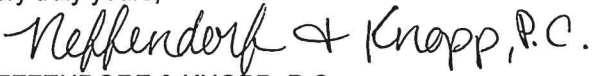
Menard County Community Center

We again recommend the Community Center adopt an annual budget to include the major categories of revenues and expenditures. The annual budget could then also be included on the monthly report for comparison to actual revenues and expenditures by major category.

Restriction on Use

This information is intended solely for the use of the Commissioner's Court and management of County of Menard and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



NEFFENDORF & KNOPP, P.C.

Fredericksburg, Texas