

**BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**COUNTY OF MENARD,  
TEXAS**

*Menard, Texas*

**For the Year Ended  
September 30, 2015**

MENARD COUNTY, TEXAS

BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015

MENARD COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Independent Auditors' Report .....	1
Management's Discussion and Analysis.....	3
 <u>Basic Financial Statements</u>	
<b>Government Wide Statements:</b>	
A-1 Statement of Net Position .....	9
B-1 Statement of Activities.....	10
<b>Governmental Fund Financial Statements:</b>	
C-1 Balance Sheet .....	12
C-2 Reconciliation for C-1 .....	14
C-3 Statement of Revenues, Expenditures and Changes in Fund Balance.....	15
C-4 Reconciliation for C-3.....	17
<b>Fiduciary Funds:</b>	
E-1 Statement of Fiduciary Net Position.....	18
E-2 Statement of Changes in Fiduciary Fund Net Position .....	19
Notes to the Financial Statements.....	20
 <u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund.....	39
G-2 Budgetary Comparison Schedule - Road and Bridge Fund .....	41
G-3 Schedule of Changes in Net Pension Liability and Related Ratios .....	42
G-4 Schedule of Employer Contributions .....	43
G-5 Notes to the Schedule of Contributions.....	44
 <u>Supplementary Information</u>	
H-1 Combining Balance Sheet - Nonmajor Governmental Funds.....	45
H-2 Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds.....	48
H-3 Statement of Changes in Assets and Liabilities - Agency Fund .....	51

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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, 2015, 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, 2015, 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.

## **Emphasis of Matter**

As discussed in Note 4. A. to the financial statements, in 2015, the County adopted new accounting guidance prescribed by GASB #68 for its pension plan, a nontraditional defined benefit pension plan. Because GASB #68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements, Statement of Net Position and Governmental Funds Balance Sheet discloses the County's Net Pension Asset and some deferred resources inflows and deferred resources outflows related to the District's pension plan. The Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balance discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 3 through 8), budgetary comparison information (pages 39 through 41) and the schedule of changes in net pension liability and related ratios, schedule of employer contributions, and notes to the schedule of contributions (pages 42 through 44) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

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

*Neffendorf + Knopp, P.C.*

NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas

August 8, 2016

## 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, 2015. 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 \$5,064,703 (net position). Of this amount, \$259,659 (unrestricted net position) may be used to meet the County's ongoing obligations to citizen's and creditors.
- The County's net position increased by \$33,229 as a result of this year's operations.
- At September 30, 2015, the County's governmental funds reported combined ending fund balances of \$70,786, an increase of \$40,311 in comparison with the prior year.

### USING THIS ANNUAL REPORT

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

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

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

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

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

## **Reporting the County as a Whole**

### ***The Statement of Net Position and the Statement of Activities***

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

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

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

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

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

## **Reporting the County's Most Significant Funds**

### ***Fund Financial Statements***

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net position of the County's governmental activities increased from \$4,906,890 to \$5,064,703. 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 \$259,659 at September 30, 2015. This increase in governmental net position was the result of several factors. First, the County's revenues exceeded the expenditures by \$40,311. Second, the County acquired capital assets in the amount of \$144,361 and paid principal on long-term debt in the amount of \$229,536. Third, the County recorded depreciation in the amounts of \$336,322. Fourth, the County received loan proceeds of \$62,500. In accordance with GASB #68, the County recorded a prior period adjustment of \$124,584.

**Table I**  
**Menard County, Texas**

**NET POSITION**  
in thousands

	Governmental Activities	
	2015	2014
Current and Other Assets	\$ 436	\$ 315
Capital Assets	5,769	5,961
Net Pension Asset	27	-
Total Assets	\$ 6,232	\$ 6,276
Deferred Outflow of Resources		
Deferred Outflow Related to Pension	\$ 121	\$ -
Deferred Charge on Refunding	6	7
Total Deferred Outflows of Resources	\$ 127	\$ 7
Long-Term Liabilities	\$ 856	\$ 1,016
Other Liabilities	423	360
Total Liabilities	\$ 1,279	\$ 1,376
Deferred Inflows of Resources		
Deferred Inflow Related to Pension	\$ 15	\$ -
Net Position:		
Net Investment in		
Capital Assets	\$ 4,694	\$ 4,719
Restricted	111	77
Unrestricted	260	111
Total Net Position	\$ 5,065	\$ 4,907



**Table II**  
**Menard County, Texas**

**CHANGES IN NET POSITION**  
in thousands

	Governmental Activities	
	2015	2014
<b>Revenues:</b>		
Charges for Services	\$ 1,331	\$ 1,151
Property Taxes	1,442	1,434
Sales Tax	56	67
Contributions/Grants	22	83
Investment Earnings	1	1
Miscellaneous	240	186
Grants & Contributions - Operating	148	167
Grants & Contributions - Capital	70	31
<b>Total Revenue</b>	<b>\$ 3,310</b>	<b>\$ 3,120</b>
<b>Expenses:</b>		
General Administration	\$ 192	\$ 190
Financial Administration	79	74
Tax Administration	137	136
Facilities Management	81	79
Law Enforcement	682	659
Corrections	271	219
Emergency Management Services	143	118
Roads and Bridges	284	266
Sanitation	35	29
Administration of Justice	875	897
Juvenile Services	50	62
Health and Human Services	220	203
Recreation	28	34
Parks	31	27
Museums	2	3
Libraries	35	36
Conservation and Development	98	96
Bond and Other Interest	34	34
<b>Total Expenses</b>	<b>\$ 3,277</b>	<b>\$ 3,162</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 33</b>	<b>\$ (42)</b>
Net Position, Beginning	4,907	4,949
Prior Period Adjustment	125	-
<b>Net Position, Ending</b>	<b>\$ 5,065</b>	<b>\$ 4,907</b>

The cost of all governmental activities this year was \$3,277,495. 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 \$1,441,917 because the other costs were paid by sales tax (\$56,303), operating and capital grants (\$218,054), user charges (\$1,331,402) and other miscellaneous (\$263,048).

#### THE COUNTY'S FUNDS

As the County completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a combined fund balance of \$70,786, which is more than last year's total of \$30,475. Included in this year's total change in fund balance is an increase of \$5,922 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 more than budgeted amounts in the General Fund and less than budgeted amounts in the Road and Bridge Fund. Actual expenditures were more 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, 2015, the County had \$9,347,138 invested in a broad range of capital assets, including land, buildings, vehicles and equipment and other improvements. This amount represents an increase of \$72,861, or 0.8 percent, more than last year.

#### CAPITAL ASSETS

in thousands

	Governmental Activities	
	2015	2014
Land	\$ 106	\$ 106
Buildings	5,235	5,235
Improvements	1,777	1,737
Machinery & Equipment	2,192	1,927
Construction in Progress	37	-
Total Capital Assets	\$ 9,347	\$ 9,005
Less: Accumulated Depreciation	3,578	2,981
Capital Assets, Net	\$ 5,769	\$ 6,025

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

## DEBT

At September 30, 2015, the County had the following outstanding debt:

		Governmental	
		Activities	
		2015	2014
Bonds Payable	\$	895	\$ 1,010
Notes Payable		69	78
Capital Leases Payable		115	158
Total Outstanding Debt	\$	<u>1,079</u>	<u>\$ 1,246</u>

At year-end the County had \$895,000 in tax notes outstanding and \$183,904 in capital leases and loans outstanding. During the year, the County paid \$229,536 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 \$62,500.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2016 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 2016. Amounts available for appropriation in the budget are \$3,594,754 and expenditures are estimated to be \$3,594,754.

If these estimates are realized, the County's budgetary fund balances are expected to remain the same by the close of 2016.

## 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, 2015

EXHIBIT A-1

	Primary Government
	Governmental Activities
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 80,312
Receivables (net of allowance for uncollectibles)	355,605
Capital Assets:	
Land	106,000
Buildings, net	3,678,893
Improvements other than Buildings, net	1,554,418
Machinery and Equipment, net	392,537
Construction in Progress	37,395
Net Pension Asset	27,349
Total Assets	6,232,509
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred Charge for Refunding	6,230
Deferred Outflow Related to Pension Plan	120,903
Total Deferred Outflows of Resources	127,133
<b>LIABILITIES</b>	
Accounts Payable	93,184
Intergovernmental Payable	104,684
Accrued Interest Payable	2,697
Noncurrent Liabilities	
Due Within One Year	222,541
Due in More Than One Year	856,453
Total Liabilities	1,279,559
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred Inflow Related to Pension Plan	15,380
Total Deferred Inflows of Resources	15,380
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,693,782
Restricted for:	
Restricted for Debt Service	14,161
Restricted for Special Revenue	97,101
Unrestricted Net Position	259,659
Total Net Position	\$ 5,064,703

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, 2015

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
General Administration	\$ 191,740	\$ 91,044	\$ 17,458
Financial Administration	79,100	-	-
Tax Administration	136,820	-	-
Facilities Management	81,449	7,410	-
Law Enforcement	681,992	833,274	-
Corrections	270,967	-	-
Emergency Management Services	143,529	9,687	43,645
Roads and Bridges	284,540	225,896	13,094
Sanitation	35,479	-	16,003
Administration of Justice	874,530	129,483	23,277
Juvenile Services	49,750	-	-
Health and Human Services	219,768	4,290	35,006
Recreation	28,386	-	-
Parks	30,945	27,872	-
Museums	1,673	-	-
Libraries	35,345	2,446	-
Conservation and Development	97,823	-	-
Bond Interest	23,458	-	-
Other Debt Interest	10,201	-	-
<b>TOTAL PRIMARY GOVERNMENT:</b>	<u>\$ 3,277,495</u>	<u>\$ 1,331,402</u>	<u>\$ 148,483</u>

General Revenues:
Taxes:
Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
Sales Taxes
Other Taxes
Penalty and Interest
Grants and Contributions Not Restricted
Miscellaneous Revenue
Investment Earnings
Total General Revenues
Change in Net Position
Net Assets - Beginning
Prior Period Adjustment
Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions	Primary Government Governmental
\$ -	\$ (83,238)
-	(79,100)
-	(136,820)
-	(74,039)
17,421	168,703
-	(270,967)
12,615	(77,582)
39,535	(6,015)
-	(19,476)
-	(721,770)
-	(49,750)
-	(180,472)
-	(28,386)
-	(3,073)
-	(1,673)
-	(32,899)
-	(97,823)
-	(23,458)
-	(10,201)
<u>\$ 69,571</u>	<u>(1,728,039)</u>

1,273,607
137,104
56,303
1,128
31,206
22,149
238,686
1,085
<u>1,761,268</u>
33,229
4,906,890
124,584
<u>\$ 5,064,703</u>

MENARD COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015

	General Fund	Road & Bridge Fund	Debt Service Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ (19,705)	\$ (4,994)	\$ 13,539
Taxes Receivable	68,203	-	7,427
Allowance for Uncollectible Taxes (credit)	(2,046)	-	(223)
Receivables (Net)	89,506	11,715	622
Intergovernmental Receivables	37,728	45,537	-
Total Assets	<u>\$ 173,686</u>	<u>\$ 52,258</u>	<u>\$ 21,365</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 43,321	\$ 47,440	\$ -
Intergovernmental Payable	104,684	-	-
Total Liabilities	<u>148,005</u>	<u>47,440</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	66,157	-	7,204
Total Deferred Inflows of Resources	<u>66,157</u>	<u>-</u>	<u>7,204</u>
<b>FUND BALANCES</b>			
Retirement of Long-Term Debt	-	-	14,161
Other Restricted Fund Balance	-	4,818	-
Unassigned Fund Balance	(40,476)	-	-
Total Fund Balances	<u>(40,476)</u>	<u>4,818</u>	<u>14,161</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 173,686</u>	<u>\$ 52,258</u>	<u>\$ 21,365</u>

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



Other Funds	Total Governmental Funds
\$ 91,472	\$ 80,312
991	76,621
(30)	(2,299)
3,234	105,077
-	83,265
<u>\$ 95,667</u>	<u>\$ 342,976</u>
\$ 2,423	\$ 93,184
-	104,684
<u>2,423</u>	<u>197,868</u>
961	74,322
<u>961</u>	<u>74,322</u>
-	14,161
92,283	97,101
-	(40,476)
<u>92,283</u>	<u>70,786</u>
<u>\$ 95,667</u>	<u>\$ 342,976</u>

MENARD COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2015

<b>Total Fund Balances - Governmental Funds</b>	\$	70,786
<p>The implementation of GASB 68 for this fiscal year required that the County report their net pension asset in the Government Wide Statement of Net Position. The items reported as a result of this implementation included a net pension asset of \$27,349, a Deferred Resource Outflow of \$120,903 and a Deferred Resource Inflow of \$15,380. The net effect of these is to increase net position.</p>		
		132,872
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$9,271,277 and the accumulated depreciation was \$3,310,073. 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.</p>		
		4,715,176
<p>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 2015 capital outlays and debt principal payments is to increase net position.</p>		
		373,897
<p>The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>		
		(336,322)
<p>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 proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.</p>		
		108,294
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>5,064,703</b>

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

MENARD COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	General Fund	Road & Bridge Fund	Debt Service Fund
<b>REVENUES:</b>			
Taxes:			
Property Taxes	\$ 1,279,776	\$ -	\$ 136,355
General Sales and Use Taxes	56,303	-	-
Other Taxes	1,128	-	-
Penalty and Interest on Taxes	858	-	-
Licenses and Permits	7,605	-	-
Intergovernmental Revenue and Grants	168,080	40,773	-
Charges for Services	377,015	132,314	-
Fines	828,912	18,916	-
Forfeits	78	-	-
Investment Earnings	1,085	-	-
Rents and Royalties	-	900	-
Contributions & Donations from Private Sources	22,096	-	-
Other Revenue	50,259	17	-
<b>Total Revenues</b>	<u>2,793,195</u>	<u>192,920</u>	<u>136,355</u>
<b>EXPENDITURES:</b>			
Current:			
General Government:			
General Administration	125,223	46,688	-
Financial Administration	71,302	-	-
Tax Administration	123,095	-	-
Facilities Management	73,071	-	-
Public Safety:			
Law Enforcement	577,697	-	-
Corrections	243,737	-	-
Emergency Management Services	129,083	-	-
Roads and Bridges	-	293,081	-
Sanitation	31,810	-	-
Administration of Justice	775,595	-	-
Juvenile Services	45,115	-	-
Health and Human Services	197,409	-	-
Culture and Recreation:			
Recreation	25,450	-	-
Parks	27,745	-	-
Museums	1,500	-	-
Libraries	31,818	-	-
Conservation and Development	87,896	-	-
Debt Service:			
Bond Principal	-	-	115,000
Other Debt Principal	33,467	42,973	-
Bond Interest	-	6,452	22,965
Other Debt Interest	3,029	-	-
Capital Outlay:			
Capital Outlay	90,422	3,272	-
<b>Total Expenditures</b>	<u>2,694,464</u>	<u>392,466</u>	<u>137,965</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>98,731</u>	<u>(199,546)</u>	<u>(1,610)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Sale of Real and Personal Property	2,800	6,300	-
Non-Current Loans	62,500	-	-
Transfers In	56,916	201,099	-
Transfers Out (Use)	(215,025)	-	(670)
<b>Total Other Financing Sources (Uses)</b>	<u>(92,809)</u>	<u>207,399</u>	<u>(670)</u>
Net Change in Fund Balances	5,922	7,853	(2,280)
Fund Balance - October 1 (Beginning)	(46,398)	(3,035)	16,441
Fund Balance - September 30 (Ending)	<u>\$ (40,476)</u>	<u>\$ 4,818</u>	<u>\$ 14,161</u>

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

	Other Funds	Total Governmental Funds
\$	17,209	\$ 1,433,340
	-	56,303
	-	1,128
	11	869
	-	7,605
	9,202	218,055
	24,796	534,125
	15,394	863,222
	94,901	94,979
	-	1,085
	-	900
	52	22,148
	7,541	57,817
	<u>169,106</u>	<u>3,291,576</u>
	-	171,911
	-	71,302
	-	123,095
	-	73,071
	35,991	613,688
	-	243,737
	-	129,083
	-	293,081
	-	31,810
	23,163	798,758
	-	45,115
	-	197,409
	-	25,450
	-	27,745
	-	1,500
	-	31,818
	-	87,896
	-	115,000
	38,096	114,536
	-	29,417
	720	3,749
	-	93,694
	<u>97,970</u>	<u>3,322,865</u>
	<u>71,136</u>	<u>(31,289)</u>
	-	9,100
	-	62,500
	670	258,685
	<u>(42,990)</u>	<u>(258,685)</u>
	<u>(42,320)</u>	<u>71,600</u>
	28,816	40,311
	<u>63,467</u>	<u>30,475</u>
\$	<u>92,283</u>	\$ <u>70,786</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, 2015

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	40,311
<p>The implementation of GASB 68 for this fiscal year resulted in a prior period adjustment to record the retroactive impact. This is NOT included in the explanation as to why the change in net position is different on Exhibit B-1 than the change in fund balance on Exhibit C-3. The entries required by GASB 68 did require that some expenses on B-1 be adjusted. Total credits to expense were \$109,340 and total debits to expense were \$101,052. The net effect on the change on the change in net position on Exhibit B-1 is to increase the change in net position.</p>		
		8,288
<p>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 2015 capital outlays and debt principal payments is to increase the change in net position.</p>		
		373,897
<p>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.</p>		
		(336,322)
<p>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 the proceeds of bond sales, 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.</p>		
		(52,945)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>33,229</b>

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

MENARD COUNTY, TEXAS  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2015

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 1,278	\$ 164,491
Accounts Receivable-Net of Uncollectible Allowance	20	-
Total Assets	<u>1,298</u>	<u>\$ 164,491</u>
<b>LIABILITIES</b>		
Due to Others	-	\$ 164,491
Total Liabilities	<u>-</u>	<u>\$ 164,491</u>
<b>NET POSITION</b>		
Unrestricted Net Position	<u>1,298</u>	
Total Net Position	<u>\$ 1,298</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, 2015

	Private Purpose Trust Funds
ADDITIONS:	
Other Revenue	\$ 320
Total Additions	<u>320</u>
Change in Net Position	320
Total Net Position -October 1 (Beginning)	<u>978</u>
Total Net Position September 30 (Ending)	<u><u>\$ 1,298</u></u>

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

MENARD COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015

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:

<b>Major Fund</b>	<b>Brief Description</b>
<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, 2015 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 TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. 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 2014 tax roll, the total assessed valuation for Menard County was \$204,995,000 and the taxes assessed amounted to \$1,399,853. The total tax rate was \$.6823 per \$100 valuation and allocated \$.6153 to the General and \$.067 to the Debt Service Fund. In addition, for the 2014 tax roll, the total assessed valuation for Menard County FCLR was \$203,136,140 and the taxes assessed amounted to \$16,997. The total tax rate was \$.00836.

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, 2015 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, 2015 the carrying amount of the County's deposits was \$81,590 and the bank balance was \$133,929. The County's cash deposits held at First State Bank and Menard National Bank at September 30, 2015 and during the year ended September 30, 2015 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, 2015, 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, 2015.

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	\$ 68,203	\$ 2,046	\$ 66,157
Lateral Road Fund	991	30	961
Debt Service Fund	<u>7,427</u>	<u>223</u>	<u>7,204</u>
 TOTAL - ALL FUNDS	 <u>\$ 76,621</u>	 <u>\$ 2,299</u>	 <u>\$ 74,322</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 \$92,940 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, 2015.

	Primary Government			
	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities:				
Land	\$ 106,000	\$ -	\$ -	\$ 106,000
Buildings	5,235,073	-	-	5,235,073
Improvements	1,777,131	-	-	1,777,131
Machinery & Equipment	2,153,073	106,966	(68,500)	2,191,539
Construction Work in Progress	-	37,395	-	37,395
Totals at Historic Cost	<u>\$ 9,271,277</u>	<u>\$ 144,361</u>	<u>\$ (68,500)</u>	<u>\$ 9,347,138</u>
Less Accumulated				
Depreciation for:				
Buildings	1,438,467	117,713	-	1,556,180
Improvements	169,145	53,568	-	222,713
Machinery & Equipment	1,702,461	165,041	(68,500)	1,799,002
Total Accumulated Depreciation	<u>\$ 3,310,073</u>	<u>\$ 336,322</u>	<u>\$ (68,500)</u>	<u>\$ 3,577,895</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 5,961,204</u>	<u>\$ (191,961)</u>	<u>\$ -</u>	<u>\$ 5,769,243</u>



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

Governmental Activities:	
Financial Administration	\$ 8,224
General Administration	19,829
Tax Administration	14,198
Emergency Management	14,889
Law Enforcement	70,786
Parks	3,200
Corrections	28,114
Roads & Bridges	29,492
Sanitation	3,669
Justice System	90,602
Juvenile Services	5,204
Health & Human Services	22,770
Recreation	2,936
Conservation & Development	10,138
Museums	173
Libraries	3,670
Total Depreciation Expense-	
Governmental Activities	<u>\$ 327,894</u>

### 3.E. LONG-TERM DEBT

#### Governmental Activities

As of September 30, 2015, 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	\$ 78,456	\$ 62,500	\$ 71,563	\$ 69,393	\$ 22,111
Limited Tax Refunding Bonds-					
Series 2005	-	-	-	-	-
Series 2007	-	-	-	-	-
Series 2009	-	-	-	-	-
Series 2013	1,010,000	-	115,000	895,000	120,000
Capital Leases					
Caterpillar Financial	96,004	-	29,735	66,269	66,268
CNH Capital	61,570	-	13,238	48,332	14,162
Governmental Activity					
Long-Term Debt	<u>\$ 1,246,030</u>	<u>\$ 62,500</u>	<u>\$ 229,536</u>	<u>\$ 1,078,994</u>	<u>\$ 222,541</u>

3.F. GENERAL OBLIGATION AND TAX REFUNDING BONDS

Certificates of Obligation payable at September 30, 2015 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>895,000</u>
Total Limited Tax Refunding Bonds	\$ <u><u>895,000</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
2016	\$ 120,000	\$ 20,132	\$ 140,132
2017	115,000	17,299	132,299
2018	120,000	14,466	134,466
2019	120,000	11,573	131,573
2020	120,000	8,680	128,680
2021 – 2025	<u>300,000</u>	<u>10,126</u>	<u>310,126</u>
Totals	\$ <u><u>895,000</u></u>	\$ <u><u>82,276</u></u>	\$ <u><u>977,276</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:

Description	Refunded Amount
Tax Notes and Refunding Bonds-	
Series 2005	\$ 160,000
Series 2007	295,000
Series 2009	<u>195,000</u>
TOTAL	<u><u>\$ 650,000</u></u>

### 3.H. LEASE PURCHASE AGREEMENTS

Lease purchase agreements payable at September 30, 2015 consists of the following:

\$172,415 original lease purchase agreement with Caterpillar Financial for a 2010 Motor Grader due in monthly installments of \$1,965 until 3/17/2016 and a final payment of \$57,433.72, interest at 3.5%.	\$ 66,269
\$29,455 note agreement with First State Bank to purchase a 2014 Chevy Silverado 2500 Truck, due in yearly installments of \$10,590.47 until 11/05/2016, interest at 3.75%	20,031
\$37,500 note agreement with First State Bank to purchase a 2015 Chevy Tahoe Patrol Vehicle, due in yearly installments of \$13,463.69 until 05/08/2018, interest at 3.75%	24,362
\$25,000 note agreement with First State Bank to purchase a 2015 Chevy Pickup Truck, due in yearly installments of \$13,218.65 until 05/08/2017, interest at 3.75%	25,000
\$72,345 original lease purchase agreement with CNH Capital to purchase a Case Compactor Model #SV212, due in monthly installments of \$1,416.69 until 12/03/2018, interest at 6.77%	<u>48,332</u>
<b>TOTAL LEASE PURCHASE AGREEMENTS</b>	<b>\$ <u>183,994</u></b>

A summary of the future minimum lease payments under the lease along with the present value of the minimum lease payments as of September 30, 2015 follows:

Year Ended September 30	
2016	\$ 108,058
2017	54,166
2018	30,450
2019	2,834
2020	-
Total Minimum Lease Payments	\$ 195,508
Less Amount Representing Interest	<u>11,514</u>
Present Value of Lease Payments	<u>\$ 183,994</u>

### 3.I. INTERFUND TRANSFERS

The composition of interfund balances as of September 30, 2015, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 56,916	\$ 215,025
Road and Bridge Fund	201,099	
Nonmajor Special Revenue Funds	670	42,990
	<u>\$ 258,685</u>	<u>\$ 258,015</u>

## NOTE 4 - OTHER NOTES

### 4.A. EMPLOYEE RETIREMENT PLAN

#### **Plan Description for TCDRS**

Menard County is a member of the Texas County and District Retirement System (TCDRS), a statewide, agent multiple-employer, public-employee retirement system. The system serves 677 actively participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCDRS Act. Because of that, employers have the flexibility and local control to select benefits and pay for those benefits based on their needs and budgets. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan.

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

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, by law, to contribute at actuarially determined rates, which are determined annually.
- Investment income funds a large part of the benefits employees earn.

Employers have the option of paying more than the required contribution rate each year. Extra contributions can help employers "pre-fund" benefit increases, such as a cost-of-living adjustment to retirees, and they can be used to help offset or mitigate future increases in the required rate due to negative plan experience. There are two approaches for making extra contributions: (a) paying an elected contribution rate higher than the required rate and (b) making an extra lump-sum contribution to the employer account.

#### **Plan Provisions for Menard County**

The Menard County plan provisions were adopted by the Commissioners Court, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum prior to retirement are not entitled to any amounts contributed by the County. The County allows partial lump sum distributions (of employee contributions and interest only) at retirement.

The County's required contribution was determined as part of the December 31, 2014 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2014 included (a) 8.0 percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 3.5 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2014 was 3.8 years.

**Employees Covered By Benefit Terms**

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	30
Active employees	<u>41</u>
	88

**Contributions**

The contribution rate payable by the employee members for calendar year 2014 was 7%. The County's employer contributions to TCDRS for the fiscal year ended September 30, 2015 were \$109,340, and were equal to the required contributions.

**Net Pension Liability**

The County's Net Pension Liability (NPL) was measured as of December 31, 2014, 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, 2014 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 <sup>(1)</sup>
Asset Valuation Method	
Smooth Period	5 years
Recognition Method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	3.5%
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 2015 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, 2013 for more details.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	12.00%	8.35%
Global Equities	MSCI World (Net) Index	1.50%	5.65%
International Equities – Developed	50% MSCI World Ex USA (Net) + 50% MSCI World Ex USA 100% Hedged to USD (Net) Index	11.00%	5.35%
International Equities – Emerging	50% MSCI EM Standard (Net) Index + 50% MSCI EM 100% Hedged to USD (Net) Index	9.00%	6.35%
Investment – Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected Minus Inflation) (2)
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

(1) Target asset allocation adopted at the April 2015 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions.

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

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

#### Depletion of Plan Assets / GASB 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 pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in Net Pension Liability/(Asset)	Increase/(Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2013	\$ 3,541,784	\$ 3,590,862	\$ (49,078)
Changes for the Year:			
Service Cost	141,059	-	141,059
Interest on Total Pension Liability (1)	284,453	-	284,453
Effect of Plan Changes	-	-	-
Effects of Economic/Demographic			
Gains or Losses	(20,507)	-	(20,507)
Effect of Assumptions Changes or Inputs	-	-	-
Refund of Contributions	(18,528)	(18,528)	-
Benefit Payments	(183,755)	(183,755)	-
Administrative Expenses	-	(2,837)	2,837
Member Contributions	-	82,851	(82,851)
Net Investment Income	-	241,758	(241,758)
Employer Contributions	-	103,564	(103,564)
Other (2)	-	(42,060)	42,060
Balances as of December 31, 2014	\$ 3,744,507	\$ 3,771,856	\$ (27,349)

(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.

**Sensitivity Analysis**

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the Menard County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease <u>7.10%</u>	Current Discount Rate <u>8.10%</u>	1% Increase <u>9.10%</u>
Total Pension Liability	\$ 4,142,079	\$ 3,744,507	\$ 3,409,722
Fiduciary Net Position	<u>3,771,856</u>	<u>3,771,856</u>	<u>3,771,856</u>
Net Pension Liability/(Asset)	<u>\$ 370,223</u>	<u>\$ (27,349)</u>	<u>\$ (362,134)</u>

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

For the year ended September 30, 2015 the County recognized pension expense of \$101,053.

<u>Prepaid Expense/(Income)</u>	<u>January 1, 2014 to December 31, 2014</u>
Service Cost	\$ 141,059
Interest on Total Pension Liability <sup>(1)</sup>	284,453
Effect of Plan Changes	-
Administrative Expenses	2,837
Member Contributions	(82,851)
Expected Investment Return Net of Investment Expenses	(291,284)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of Economic/Demographic Gains or Losses	(5,127)
Recognition of Assumption Changes or Inputs	-
Recognition of Investment Gains or Losses	9,905
Other <sup>(2)</sup>	<u>42,060</u>
Pension Expense/(Income)	<u>\$ 101,053</u>

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

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

As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 15,380	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	39,621
Contributions made subsequent to measurement date <sup>(3)</sup>	-	<u>81,282</u>
	<u>\$ 15,380</u>	<u>\$ 120,903</u>



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

<u>Year Ended December 31</u>	
2015	\$ 4,778
2016	4,778
2017	4,778
2018	9,905
2019	-
Thereafter <sup>(4)</sup>	-

<sup>(3)</sup> *If eligible employer contributions were made subsequent to the measurement date through the employer's fiscal year end, the employer should reflect these contributions, adjusted as outlined Appendix C of this report.*

<sup>(4)</sup> *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, 2015, the participants had a balance of \$126,593 in the plan.

#### 4.F. FUND BALANCE DEFICIT

The General Fund had a fund balance deficit of \$40,476 at September 30, 2015. Those deficits will be funded in fiscal year 2016 with transfers from other funds.

#### 4.G. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Expenditures in the General Fund exceeded the budgeted appropriations in several functions and in total.

#### 4.H. PRIOR PERIOD ADJUSTMENT

During fiscal year 2015, the county adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. Adoption of GASB Statement No. 68 required a prior period adjustment to report the effect of GASB Statement No. 68 retroactively. The amount of the prior period adjustment is \$124,584. The restated beginning net position for the Governmental Activities is \$5,031,474.

#### 4.I. SUBSEQUENT EVENTS

The County has evaluated subsequent events through August 8, 2016, 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, 2015

EXHIBIT G-1

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 1,236,914	\$ 1,269,843	\$ 1,279,776	\$ 9,933
General Sales and Use Taxes	65,500	57,633	56,303	(1,330)
Other Taxes	1,020	1,125	1,128	3
Penalty and Interest on Taxes	500	859	858	(1)
Licenses and Permits	6,300	7,605	7,605	-
Intergovernmental Revenue and Grants	104,701	149,391	168,080	18,689
Charges for Services	351,490	376,275	377,015	740
Fines	925,000	811,036	828,912	17,876
Forfeits	-	78	78	-
Investment Earnings	500	1,074	1,085	11
Contributions & Donations from Private Sources	-	-	22,096	22,096
Other Revenue	67,547	72,102	50,259	(21,843)
Total Revenues	<u>2,759,472</u>	<u>2,747,021</u>	<u>2,793,195</u>	<u>46,174</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
General Administration	130,442	128,292	125,223	3,069
Financial Administration	71,760	61,739	71,302	(9,563)
Tax Administration	136,482	123,096	123,095	1
Facilities Management	52,671	52,671	73,071	(20,400)
Public Safety:				
Law Enforcement	548,192	533,108	577,697	(44,589)
Corrections	212,956	212,956	243,737	(30,781)
Emergency Management Services	124,622	128,132	129,083	(951)
Sanitation	12,220	29,201	31,810	(2,609)
Administration of Justice	789,074	780,745	775,595	5,150
Juvenile Services	59,528	43,600	45,115	(1,515)
Health and Human Services	169,566	197,292	197,409	(117)
Culture and Recreation	1,000	1,000	-	1,000
Recreation	35,955	35,955	25,450	10,505
Parks	26,200	26,200	27,745	(1,545)
Museums	1,500	1,500	1,500	-
Libraries	34,552	34,552	31,818	2,734
Conservation and Development	103,400	85,047	87,896	(2,849)
Debt Service:				
Other Debt Principal	-	-	33,467	(33,467)
Other Debt Interest	-	-	3,029	(3,029)
Capital Outlay:				
Capital Outlay	57,007	109,661	90,422	19,239
Total Expenditures	<u>2,567,127</u>	<u>2,584,747</u>	<u>2,694,464</u>	<u>(109,717)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>192,345</u>	<u>162,274</u>	<u>98,731</u>	<u>(63,543)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	2,800	2,800	-
Non-Current Loans	-	-	62,500	62,500
Transfers In	-	9,651	56,916	47,265
Transfers Out (Use)	(192,345)	(174,725)	(215,025)	(40,300)
Total Other Financing Sources (Uses)	<u>(192,345)</u>	<u>(162,274)</u>	<u>(92,809)</u>	<u>69,465</u>

MENARD COUNTY, TEXAS EXHIBIT G-1 (Cont'd)  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
Net Change in Fund Balances	-	-	5,922	5,922
Fund Balance - October 1 (Beginning)	(46,398)	(46,398)	(46,398)	-
Fund Balance - September 30 (Ending)	\$ (46,398)	\$ (46,398)	\$ (40,476)	\$ 5,922

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, 2015

EXHIBIT G-2

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Intergovernmental Revenue and Grants	\$ 204,000	\$ 205,238	\$ 40,773	\$ (164,465)
Charges for Services	132,500	132,343	132,314	(29)
Fines	10,000	12,914	18,916	6,002
Rents and Royalties	900	900	900	-
Other Revenue	5,000	15	17	2
Total Revenues	<u>352,400</u>	<u>351,410</u>	<u>192,920</u>	<u>(158,490)</u>
<b>EXPENDITURES:</b>				
Current:				
General Government:				
General Administration	52,810	52,810	46,688	6,122
Roads and Bridges	241,550	256,923	293,081	(36,158)
Debt Service:				
Other Debt Principal	31,000	35,000	42,973	(7,973)
Bond Interest	5,651	5,580	6,452	(872)
Capital Outlay:				
Capital Outlay	239,508	220,206	3,272	216,934
Total Expenditures	<u>570,519</u>	<u>570,519</u>	<u>392,466</u>	<u>178,053</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(218,119)</u>	<u>(219,109)</u>	<u>(199,546)</u>	<u>19,563</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	6,300	6,300	-
Transfers In	218,119	212,809	201,099	(11,710)
Total Other Financing Sources (Uses)	<u>218,119</u>	<u>219,109</u>	<u>207,399</u>	<u>(11,710)</u>
Change in Fund Balance	-	-	7,853	7,853
Fund Balance - October 1 (Beginning)	<u>(3,035)</u>	<u>(3,035)</u>	<u>(3,035)</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ (3,035)</u>	<u>\$ (3,035)</u>	<u>\$ 4,818</u>	<u>\$ 7,853</u>

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

MENARD COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Year Ended December 31, 2014</u>
<b>Total Pension Liability</b>	
Service Cost	\$ 141,059
Interest on Total Pension Liability	284,453
Effect of Plan Changes	-
Effect of Assumption Changes or Inputs	-
Effect of Economic/Demographic (Gains) or Losses	(20,507)
Benefit Payments/Refunds of Contributions	<u>(202,283)</u>
Net Change in Total Pension Liability	\$ 202,722
Total Pension Liability, Beginning	<u>3,541,784</u>
Total Pension Liability, Ending (a)	<u>\$ 3,744,507</u>
<b>Fiduciary Net Position</b>	
Employer Contributions	103,564
Member Contributions	82,851
Investment Income Net of Investment Expenses	241,758
Benefit Payments/Refunds of Contributions	(202,283)
Administrative Expenses	(2,837)
Other	<u>(42,060)</u>
Net Change in Fiduciary Net Position	\$ 180,993
Fiduciary Net Position, Beginning	<u>3,590,862</u>
Fiduciary Net Position, Ending (b)	<u>\$ 3,771,856</u>
Net Pension Liability/(Asset), Ending = (a) – (b)	\$ (27,349)
Fiduciary Net Position as a % of Total Pension Liability	100.73%
Pensionable Covered Payroll	\$ 1,183,592
Net Pension Liability as a % of Covered Payroll	(2.31%)

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 one year of data is presented in accordance with GASB 68, Paragraph 138. "The information 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  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF EMPLOYER CONTRIBUTIONS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll <sup>(1)</sup>	Actual Contribution as a % of Covered Payroll
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$ 52,513	\$ 52,513	-	\$ 693,694	7.6%
2007	58,176	58,176	-	796,933	7.3%
2008	57,553	57,553	-	790,567	7.3%
2009	64,330	64,330	-	872,861	7.4%
2010	72,135	72,135	-	857,730	8.4%
2011	77,665	77,665	-	931,239	8.3%
2012	83,841	83,841	-	984,044	8.5%
2013	96,887	96,887	-	1,107,282	8.7%
2014	101,671	103,564	(1,894)	1,183,592	8.7%

<sup>(1)</sup> Payroll is calculated based on contributions as reported to TCDRS.

Note: GASB 68, Paragraph 46, c and d requires that the data in this schedule be presented as of the governmental entity's current fiscal year as opposed to the time period covered by the measurement date.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "The information 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  
 NOTES TO THE SCHEDULE OF CONTRIBUTIONS  
 SEPTEMBER 30, 2015

**Valuation Date:**

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

**Methods and assumptions used to determine contribution rates:**

Actuarial Cost Method	Entry Age Normal (1)
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.0%
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*

**Other Information:**

Notes There were no benefit changes during the year.

SUPPLEMENTARY INFORMATION

MENARD COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2015

	Lateral Road fund	JP Court Tech Fund	Court Reporter Service	Appellate Judicial Fund
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 676	\$ 28,364	\$ 884	\$ 150
Taxes Receivable	991	-	-	-
Allowance for Uncollectible Taxes (credit)	(30)	-	-	-
Receivables (Net)	79	1,636	15	10
Total Assets	<u>\$ 1,716</u>	<u>\$ 30,000</u>	<u>\$ 899</u>	<u>\$ 160</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	961	-	-	-
Total Deferred Inflows of Resources	<u>961</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Other Restricted Fund Balance	755	30,000	899	160
Total Fund Balances	<u>755</u>	<u>30,000</u>	<u>899</u>	<u>160</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,716</u>	<u>\$ 30,000</u>	<u>\$ 899</u>	<u>\$ 160</u>

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

Alternative Dispute Resolution	Truancy Prevention Fund	Records Management Fund	Clerks Archival Fund	Courthouse Restoration Fee Fund	Sheriff's Special Fund	County Attorney CC&P	Pre-Trial Intervention Fund
\$ 5,370	\$ 3,722	\$ 11,101	\$ 10,100	\$ (12,242)	\$ 32,876	\$ 71	\$ 10,400
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
30	744	395	265	60	-	-	-
<u>\$ 5,400</u>	<u>\$ 4,466</u>	<u>\$ 11,496</u>	<u>\$ 10,365</u>	<u>\$ (12,182)</u>	<u>\$ 32,876</u>	<u>\$ 71</u>	<u>\$ 10,400</u>
\$ -	\$ 2,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	2,423	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,400	2,043	11,496	10,365	(12,182)	32,876	71	10,400
<u>5,400</u>	<u>2,043</u>	<u>11,496</u>	<u>10,365</u>	<u>(12,182)</u>	<u>32,876</u>	<u>71</u>	<u>10,400</u>
<u>\$ 5,400</u>	<u>\$ 4,466</u>	<u>\$ 11,496</u>	<u>\$ 10,365</u>	<u>\$ (12,182)</u>	<u>\$ 32,876</u>	<u>\$ 71</u>	<u>\$ 10,400</u>

MENARD COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2015

	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 91,472	\$ 91,472
Taxes Receivable	991	991
Allowance for Uncollectible Taxes (credit)	(30)	(30)
Receivables (Net)	3,234	3,234
Total Assets	<u>\$ 95,667</u>	<u>\$ 95,667</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 2,423	\$ 2,423
Total Liabilities	<u>2,423</u>	<u>2,423</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable Revenue - Property Taxes	961	961
Total Deferred Inflows of Resources	<u>961</u>	<u>961</u>
<b>FUND BALANCES</b>		
Other Restricted Fund Balance	92,283	92,283
Total Fund Balances	<u>92,283</u>	<u>92,283</u>
Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 95,667</u>	<u>\$ 95,667</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, 2015

	Lateral Road fund	JP Court Tech Fund	Court Reporter Service	Appellate Judicial Fund
<b>REVENUES:</b>				
Taxes:				
Property Taxes	\$ 17,209	\$ -	\$ -	\$ -
Penalty and Interest on Taxes	11	-	-	-
Intergovernmental Revenue and Grants	9,202	-	-	-
Charges for Services	-	-	540	255
Fines	-	15,394	-	-
Forfeits	-	-	-	-
Contributions & Donations from Private Sources	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	<u>26,422</u>	<u>15,394</u>	<u>540</u>	<u>255</u>
<b>EXPENDITURES:</b>				
Current:				
Public Safety:				
Law Enforcement	-	-	-	-
Administration of Justice	-	19,406	-	249
Debt Service:				
Other Debt Principal	-	-	-	-
Other Debt Interest	-	-	-	-
Total Expenditures	<u>-</u>	<u>19,406</u>	<u>-</u>	<u>249</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>26,422</u>	<u>(4,012)</u>	<u>540</u>	<u>6</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	670	-	-	-
Transfers Out (Use)	<u>(26,374)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(25,704)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	718	(4,012)	540	6
Fund Balance - October 1 (Beginning)	<u>37</u>	<u>34,012</u>	<u>359</u>	<u>154</u>
Fund Balance - September 30 (Ending)	<u>\$ 755</u>	<u>\$ 30,000</u>	<u>\$ 899</u>	<u>\$ 160</u>

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

Alternative Dispute Resolution	Truancy Prevention Fund	Records Management Fund	Clerks Archival Fund	Courthouse Restoration Fee Fund	Sheriff's Special Fund	County Attorney CC&P	Pre-Trial Intervention Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
730	-	8,440	6,295	1,496	-	-	7,040
-	-	-	-	-	-	-	-
-	-	-	-	-	94,901	-	-
-	-	-	-	52	-	-	-
-	7,541	-	-	-	-	-	-
<u>730</u>	<u>7,541</u>	<u>8,440</u>	<u>6,295</u>	<u>1,548</u>	<u>94,901</u>	<u>-</u>	<u>7,040</u>
-	7,561	-	-	-	28,430	-	-
-	-	3,508	-	-	-	-	-
-	-	-	-	-	38,096	-	-
-	-	-	-	-	720	-	-
-	<u>7,561</u>	<u>3,508</u>	<u>-</u>	<u>-</u>	<u>67,246</u>	<u>-</u>	<u>-</u>
<u>730</u>	<u>(20)</u>	<u>4,932</u>	<u>6,295</u>	<u>1,548</u>	<u>27,655</u>	<u>-</u>	<u>7,040</u>
-	-	-	-	-	-	-	-
-	-	-	-	(16,616)	-	-	-
-	-	-	-	(16,616)	-	-	-
<u>730</u>	<u>(20)</u>	<u>4,932</u>	<u>6,295</u>	<u>(15,068)</u>	<u>27,655</u>	<u>-</u>	<u>7,040</u>
<u>4,670</u>	<u>2,063</u>	<u>6,564</u>	<u>4,070</u>	<u>2,886</u>	<u>5,221</u>	<u>71</u>	<u>3,360</u>
<u>\$ 5,400</u>	<u>\$ 2,043</u>	<u>\$ 11,496</u>	<u>\$ 10,365</u>	<u>\$ (12,182)</u>	<u>\$ 32,876</u>	<u>\$ 71</u>	<u>\$ 10,400</u>

MENARD COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Total Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES:		
Taxes:		
Property Taxes	\$ 17,209	\$ 17,209
Penalty and Interest on Taxes	11	11
Intergovernmental Revenue and Grants	9,202	9,202
Charges for Services	24,796	24,796
Fines	15,394	15,394
Forfeits	94,901	94,901
Contributions & Donations from Private Sources	52	52
Other Revenue	7,541	7,541
Total Revenues	<u>169,106</u>	<u>169,106</u>
EXPENDITURES:		
Current:		
Public Safety:		
Law Enforcement	35,991	35,991
Administration of Justice	23,163	23,163
Debt Service:		
Other Debt Principal	38,096	38,096
Other Debt Interest	720	720
Total Expenditures	<u>97,970</u>	<u>97,970</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>71,136</u>	<u>71,136</u>
OTHER FINANCING SOURCES (USES):		
Transfers In	670	670
Transfers Out (Use)	<u>(42,990)</u>	<u>(42,990)</u>
Total Other Financing Sources (Uses)	<u>(42,320)</u>	<u>(42,320)</u>
Net Change in Fund Balance	28,816	28,816
Fund Balance - October 1 (Beginning)	<u>63,467</u>	<u>63,467</u>
Fund Balance - September 30 (Ending)	<u>\$ 92,283</u>	<u>\$ 92,283</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, 2015

	BALANCE OCTOBER 1 2014	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30 2015
<b>OFFICIALS' FEES ACCOUNTS FUND</b>				
Assets:				
Cash and Cash Equivalents	\$ 156,160	\$ 2,081,423	\$ 2,073,092	\$ 164,491
Liabilities:				
Due to Others	\$ 156,160	\$ 2,081,423	\$ 2,073,092	\$ 164,491
 <b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Cash Equivalents	\$ 156,160	\$ 2,081,423	\$ 2,073,092	\$ 164,491
Liabilities:				
Due to Others	\$ 156,160	\$ 2,081,423	\$ 2,073,092	\$ 164,491

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

# NEFFENDORF & KNOPP, P.C.

## Certified Public Accountants

P.O. BOX 874 · 736 S. WASHINGTON ST.

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MEMBER  
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MEMBER  
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CERTIFIED PUBLIC ACCOUNTANTS

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

#### Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Menard, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County of Menard, Texas's basic financial statements, and have issued our report thereon dated August 8, 2016.

#### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses.

Significant journal entries were necessary to record accrual adjustments, record capital assets and record long-term debt adjustments. Management has reviewed and agreed to record all audit adjustments.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Neffendorf & Knopp, P.C.*

NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas

August 8, 2016

# NEFFENDORF & KNOPP, P.C.

## Certified Public Accountants

P.O. BOX 874 · 736 S. WASHINGTON ST.

FREDERICKSBURG, TEXAS 78624-0874

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MEMBER  
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MEMBER  
TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

August 8, 2016

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, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), 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 April 15, 2014. 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. There were no new accounting policies and the application of existing policies was not changed during the year ended September 30, 2015. We noted no transactions entered into by the governmental unit 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 8, 2016.

### *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 governmental unit'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 governmental unit'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

With respect to the supplementary information accompanying the financial statements, 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 records used to prepare the financial statements or to the financial statements themselves.

### *Recommendations*

#### Prior Year Recommendations

##### **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, 2015, the General Fund had a deficit fund balance. 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.

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.*

NEFFENDORF & KNOPP, P.C.  
Fredericksburg, Texas