

NOLAN COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

NOLAN COUNTY, TEXAS
Annual Financial Report
Year Ended September 30, 2017

Table of Contents

	<u>Exhibit No.</u>	<u>Page No.</u>
Independent Auditor's Report		i
Management's Discussion and Analysis		iii
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position	A-1	1
Statement of Activities	A-2	2
Fund Financial Statements:		
Balance Sheet – Governmental Funds	A-3	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	A-4	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	A-5	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	A-6	6
Statement of Fiduciary Net Position – Fiduciary Funds	A-7	7
Notes to Basic Financial Statements		8
 <u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule:		
General Fund	B-1	25
Farm to Market Fund	B-2	26
Notes to Required Supplementary Information - Budgets		27
Schedule of Changes in Net Pension Liability and Related Ratios:		
Texas County and District Retirement System	B-3	28
Schedule of Employer Contributions:		
Texas County and District Retirement System	B-4	29
Notes to Required Supplementary Information - Pensions		30
 <u>Combining Statements as Supplementary Information:</u>		
Nonmajor Governmental Funds – Combining Balance Sheet	C-1	31
Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2	33

NOLAN COUNTY, TEXAS
Annual Financial Report
Year Ended September 30, 2017

Fiduciary Funds:

Agency Funds:

Combining Statement of Fiduciary Assets and Liabilities	C-3	35
---	-----	----

Other Information Required by GAO:

Independent Auditor's Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		36
---	--	----

INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and
Members of the Commissioners Court
Nolan County, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 25 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nolan County's internal control over financial reporting and compliance.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
November 29, 2017

NOLAN COUNTY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Nolan County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2017. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

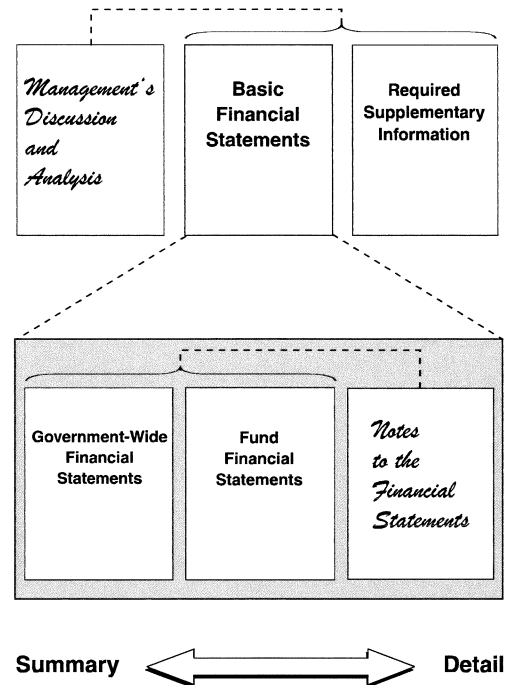
- Nolan County's total combined net position was \$19 million at September 30, 2017. Of this amount, \$12.7 million (*unrestricted net position*) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$2 million less than the \$14 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$11 million. All \$11 million is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *Government-Wide Financial Statements* that provide both long-term and short-term information about the County's overall financial status.
- The remaining statements are *Fund Financial Statements* that focus on individual parts of the government, reporting the County's operations in more detail than the government-wide statements.
- The *Governmental Funds* statements tell how general government services were financed in the short-term as well as what remains for future spending.
- *Fiduciary Fund* statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1. Required Components of the County's Annual Financial Report



The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County’s financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

FIGURE A-2

MAJOR FEATURES OF THE COUNTY’S GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS			
Type of Statement	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County’s government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary	Instances in which the County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in position and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual basis accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency’s funds do not currently contain capital assets, although they can
Type of flow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of Nolan County’s finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Page 1) presents information on all of Nolan County’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Nolan County’s financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 2) presents information showing how the government’s net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Both of these government-wide financial statements distinguish functions of Nolan County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general government, public safety, farm to market roads, health and welfare, economic development, culture and recreation. These activities are financed primarily by property taxes and grants.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about the Nolan County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. Nolan County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes.

The County has two types of funds:

- **Governmental funds**—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. Because the focus of governmental funds is narrower than that of the Government-Wide Financial Statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Government-Wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. These reconciliations can be found on Pages 4 and 6 of the basic financial statements section.

The County maintains eighteen individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, the Farm to Market Fund, Debt Service, the Capital Projects Fund and the Coliseum Debt Service Fund because these funds are considered to be major funds. Individual fund data for each of the ten non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided on Pages 25 and 26 to demonstrate compliance with this budget.

- **Fiduciary funds**—The County is the trustee, or *fiduciary*, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position found on page 7. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Nolan County's combined net position was approximately \$19 million at September 30, 2017. The largest portion of the County's net position reflects its investments, cash and accounts receivable, with the remainder reported as net investment in capital assets.

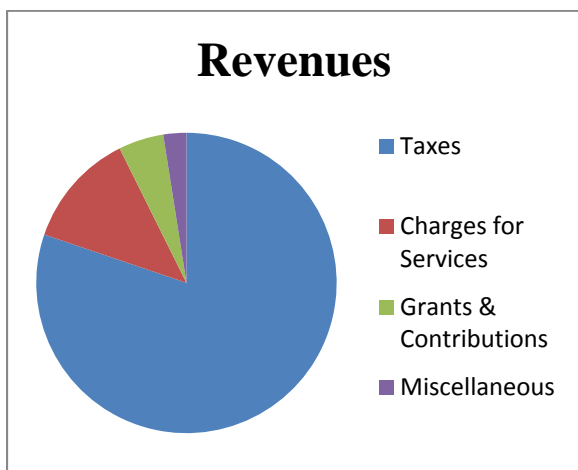
In accordance with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, resulting in the County recording its net pension liability of \$2,388,469 deferred inflows of \$73,575 and deferred outflows of resources of \$1,342,621. See Note 8 for further information.

**Table A-1
Nolan County's Net Position**

	Governmental Activities	
	2017	2016
Current and Other Assets	\$ 14,215,577	\$ 12,175,126
Restricted assets	1,454,190	2,721,894
Capital and Non-current Assets	20,512,375	19,732,715
Total Assets	36,182,142	34,629,735
Deferred Outflows	1,342,621	1,624,956
Current Liabilities	212,538	91,054
Long Term Liabilities	17,941,119	19,086,517
Total Liabilities	18,153,657	19,177,571
Deferred Inflows	73,575	110,362
Net Investment in Capital Assets	5,119,821	4,562,394
Restricted	1,471,152	1,238,398
Unrestricted	12,706,558	11,165,966
Total Net Position	\$ 19,297,531	\$ 16,966,758

Changes in Net Position—Nolan County's net position increased by approximately \$2 million during the current fiscal year.

**Figure A-3
SOURCES OF REVENUE FOR FISCAL YEAR 2015**



Governmental Activities—Total revenues for the fiscal year ending September 30, 2017 were \$14 million. Approximately 80% of the County's revenue comes from various taxes. Property tax revenue increased 2.7%. Charges for services were 12%, operating grants and contributions at 5% and capital grants and contributions at 3%. Earnings from investments were less than 1%.

Expenses increased by \$1 million or 10% from the prior year.

Table A-2
Nolan County's Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues		
Program Revenues		
Charges for Services	\$ 1,753,218	\$ 1,598,822
Operating Grants and Contributions	289,306	328,190
Capital Grants and Contributions	397,453	139,354
General Revenues		
Property Taxes	10,839,728	10,552,107
Other Taxes	552,713	340,164
Investment Earnings	151,757	94,173
Miscellaneous	198,773	237,540
Total Revenues	14,182,948	13,290,350
Expenses		
General Government	1,796,134	1,672,913
Judicial Administration	1,256,037	1,126,254
Legal	558,367	456,591
Financial Administration	571,784	541,333
Public Facilities	802,204	721,215
Public Safety	3,279,114	3,128,592
Farm to Market	2,108,113	1,862,720
Health and Welfare	760,611	626,617
Extension Service	107,067	130,275
Debt Interest and Fees	418,923	308,103
Museum and Library - Intergovernmental	193,821	235,921
Total Expenses	11,852,175	10,810,534
Change in Net Position	2,330,773	2,479,816
Beginning Net Position, partially restated	16,966,758	14,486,942
Ending Net Position	\$ 19,297,531	\$ 16,966,758

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, Nolan County's governmental funds reported a combined fund balance of \$14 million, an increase of \$183 thousand in comparison with the prior year. Approximately 78% of this total amount (\$11 million) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is restricted by legislation and bonds, assigned for specific purposes, and for retirement of long-term debt.

The General Fund is the chief operating fund of the County. At the end of the fiscal year, \$11 million, the total fund balance is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 133% of total General Fund expenditures.

Nolan County's General Fund balance increased by \$1 million during the current fiscal year. A key factor in this increase was an increase in tax revenue and operating grants and contributions.

General Fund Budgetary Highlights - Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were \$678 thousand under final budgeted amounts, with general government and public safety coming in under budget \$262 thousand and \$153 thousand, respectively.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of September 30, 2017, the County had invested \$21 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net increase (including additions, retirements, depreciation and adjustments) of \$780 thousand, or 4% over last year.

Major events affecting capital assets during the year were:

- Renovation of Nolan County Coliseum
- New vehicles and equipment for the Sheriff's Department.

More detailed information about the County's capital assets can be found in Note 4.

Table A-3
Nolan County's Capital Assets

	Governmental Activities	
	2017	2016
Land	\$ 113,975	\$ 113,975
Construction in Progress	2,891,381	1,428,080
Buildings and Improvements	21,137,504	21,137,504
Furniture and Equipment	<u>6,933,338</u>	<u>6,778,023</u>
Total capital assets	31,076,198	29,457,582
Less: Accumulated Depreciation	<u>(10,563,823)</u>	<u>(9,724,867)</u>
Net Capital Assets	<u>\$ 20,512,375</u>	<u>\$ 19,732,715</u>

Long Term Debt—At the end of the year, the County had \$18 million in outstanding long-term obligations.

**Table A-4
The County’s Long Term Debt**

	Governmental Activities	
	2017	2016
Bonds payable	\$ 14,705,000	\$ 15,755,000
Notes payable	216,579	345,170
Bond premium	544,383	598,821
Compensated absences	86,688	85,661
Net Pension Liability	2,388,469	2,301,865
 Total long-term obligations	 \$ 17,941,119	 \$ 19,086,517

During the year, Nolan County’s debt decreased by \$1.1 million. The State limits the amount of general obligation debt that a County can issue up to 25% of its total assessed valuation.

More detailed information about the County’s long term liabilities can be found Note 6.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The appraised value used for the 2018 budget preparation is estimated to be down \$3 million or .000532 from 2017.
- The M&O tax rate established for 2018 General Fund and Farm to Market is \$.500846, an increase of \$.001457 from 2017. The I&S tax rate for 2018 Debt Service Fund is \$.067104.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2018 fiscal year.

Amounts available for appropriation in the General Fund budget are \$8,959,921, an increase of .009237 over the 2017 budget of \$8,877,920. Property taxes, Boarding Prisoners, & an increase in JP Fees & Fines are expected to lead to this increase.

Budgeted expenditures are expected to increase approximately .024212 to \$9,019,064. The largest increments are increases in salary raises, additional personnel, & liability/property/health insurance. The County has added no major new programs or initiatives to the 2018 budget.

If these estimates are realized, the County’s budgetary General Fund balance is expected to increase.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Nolan County’s finances and to demonstrate the County’s accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Nolan County Auditor, 100 E. 3rd Street, Suite 102, Sweetwater, Texas 79556.

BASIC FINANCIAL STATEMENTS

NOLAN COUNTY, TEXAS
Statement of Net Position
September 30, 2017

Exhibit A-1

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 12,454,365
Investments	5,709
Receivables (net of allowance for uncollectible)	1,736,732
Prepaid bond insurance	18,771
Restricted assets	
Cash and cash equivalents	1,453,057
Investments	1,133
Capital assets	
Nondepreciable	3,005,356
Depreciable, net	<u>17,507,019</u>
 Total assets	 <u>36,182,142</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	<u>1,342,621</u>
 Total deferred outflows of resources	 <u>1,342,621</u>
 LIABILITIES	
Accounts payable	189,231
Accrued interest payable	23,307
Noncurrent liabilities	
Due within one year	1,249,300
Due in more than one year	14,303,350
Net pension liability	<u>2,388,469</u>
 Total liabilities	 <u>18,153,657</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	<u>73,575</u>
 Total deferred inflows of resources	 <u>73,575</u>
 NET POSITION	
Net investment in capital assets	5,119,821
Restricted for long-term debt	934,733
Restricted for other purposes	536,419
Unrestricted	<u>12,706,558</u>
 Total net position	 <u>\$ 19,297,531</u>

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

NOLAN COUNTY, TEXAS
Statement of Activities
For the Year Ended September 30, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 1,716,134	\$ 291,557	\$ 171,026	-
Judicial	1,256,037	329,485	-	-
Legal	558,367	567,817	45,516	-
Financial administration	571,784	53,919	-	-
Public facilities	882,204	-	-	-
Public safety	3,279,114	30,480	-	-
Farm to market	2,108,113	479,960	72,764	397,453
Health and welfare	760,611	-	-	-
Extension service	107,067	-	-	-
Debt interest	360,923	-	-	-
Fiscal agent's fees and other bond costs	58,000	-	-	-
Intergovernmental	193,821	-	-	-
Total governmental activities	<u>11,852,175</u>	<u>1,753,218</u>	<u>289,306</u>	<u>397,453</u>
TOTAL PRIMARY GOVERNMENT	\$ <u>11,852,175</u>	\$ <u>1,753,218</u>	\$ <u>289,306</u>	\$ <u>397,453</u>

General Revenues
Property taxes, levied for general purposes
Property taxes, levied for farm to market
Property taxes, levied for debt service
Hotel/Motel Tax
Other taxes
Miscellaneous revenue
Gain on sale of assets
Investment earnings
Total general revenues

CHANGE IN NET POSITION

NET POSITION, BEGINNING

NET POSITION, ENDING

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

Net (Expense) Revenue and Changes in Net Assets	
Primary Government	
Governmental Activities	Total
\$ (1,253,551)	\$ (1,253,551)
(926,552)	(926,552)
54,966	54,966
(517,865)	(517,865)
(882,204)	(882,204)
(3,248,634)	(3,248,634)
(1,157,936)	(1,157,936)
(760,611)	(760,611)
(107,067)	(107,067)
(360,923)	(360,923)
(58,000)	(58,000)
<u>(193,821)</u>	<u>(193,821)</u>
<u>(9,412,198)</u>	<u>(9,412,198)</u>
<u>(9,412,198)</u>	<u>(9,412,198)</u>
7,713,809	7,713,809
1,839,123	1,839,123
1,286,796	1,286,796
441,187	441,187
111,526	111,526
186,225	186,225
12,548	12,548
151,757	151,757
<u>11,742,971</u>	<u>11,742,971</u>
2,330,773	2,330,773
<u>16,966,758</u>	<u>16,966,758</u>
<u>\$ 19,297,531</u>	<u>\$ 19,297,531</u>

NOLAN COUNTY, TEXAS

Balance Sheet

Governmental Funds

September 30, 2017

	General Fund	Farm to Market Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ 10,934,746	\$ 1,486,035
Investments	3,397	2,312
Taxes receivable (net of allowance for uncollectible)	90,662	21,320
Other receivables (net of allowance for uncollectible)	1,107,158	380,432
Due from other funds	-	-
Restricted assets		
Cash and cash equivalents	-	-
Investments	-	-
	<u> </u>	<u> </u>
Total assets	\$ <u>12,135,963</u>	\$ <u>1,890,099</u>
LIABILITIES		
Accounts payable	\$ 136,167	\$ 9,983
Due to other funds	-	-
	<u> </u>	<u> </u>
Total liabilities	<u>136,167</u>	<u>9,983</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	90,662	21,320
Unavailable fines and fees	1,060,699	-
Unavailable revenue - grants	-	350,643
	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>1,151,361</u>	<u>371,963</u>
FUND BALANCES		
Restricted fund balances:		
Enabling legislation	-	-
Retirement of long-term debt	-	-
Construction	-	-
Assigned fund balances:		
Farm to market	-	1,508,153
Other purposes	-	-
Unassigned fund balance	10,848,435	-
	<u> </u>	<u> </u>
Total fund balances	<u>10,848,435</u>	<u>1,508,153</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ <u>12,135,963</u>	\$ <u>1,890,099</u>

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

Debt Service Fund	Capital Projects Fund	Coliseum Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 33,584	\$ 12,454,365
-	-	-	-	5,709
17,150	-	115,714	-	244,846
4,136	-	-	160	1,491,886
-	-	-	40,000	40,000
193,950	75,944	646,844	536,319	1,453,057
-	-	1,133	-	1,133
<u>\$ 215,236</u>	<u>\$ 75,944</u>	<u>\$ 763,691</u>	<u>\$ 610,063</u>	<u>\$ 15,690,996</u>
\$ -	\$ 2,536	\$ -	\$ 40,545	\$ 189,231
-	-	40,000	-	40,000
-	2,536	40,000	40,545	229,231
17,150	-	-	-	129,132
-	-	-	-	1,060,699
-	-	-	-	350,643
17,150	-	-	-	1,540,474
-	-	-	536,419	536,419
198,086	-	723,691	-	921,777
-	73,408	-	-	73,408
-	-	-	-	1,508,153
-	-	-	33,099	33,099
-	-	-	-	10,848,435
198,086	73,408	723,691	569,518	13,921,291
<u>\$ 215,236</u>	<u>\$ 75,944</u>	<u>\$ 763,691</u>	<u>\$ 610,063</u>	<u>\$ 15,690,996</u>

NOLAN COUNTY, TEXAS
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
September 30, 2017

Exhibit A-4

Total Fund Balances - Governmental Fund Balance Sheet	\$ 13,921,291
 Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net position.	20,512,375
Certain assets, such as property taxes receivable, grants and fees, are not available to pay for current-period expenditures and are therefore deferred inflows in the governmental funds. Deferred inflows of resources recognized in the government-wide financial statements results in a net increase to net position.	1,540,474
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. The net effect is a decrease in net position related to bonds payable (\$14,705,000), notes payable (\$216,579), bond premium (\$544,383), compensated absences (\$86,688), accrued interest payable (\$23,307), and increased by the prepaid bond insurance (\$18,771).	(15,557,186)
Included in the items related to debt is the recognition of the County's net pension liability (\$2,388,469) and deferred inflows of resources (\$73,575) less deferred outflow of resources (\$1,342,621). The net effect is to decrease net position.	<u>(1,119,423)</u>
Net Position of Governmental Activities- Statement of Net Position	<u>\$ 19,297,531</u>

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

NOLAN COUNTY, TEXAS
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Farm to Market Fund
REVENUES		
Property taxes	\$ 7,637,020	\$ 1,819,071
Hotel/Motel taxes	-	-
Other taxes	111,526	-
Licenses and permits	56,202	350,900
Intergovernmental revenue and grants	216,542	212,693
Fines and fees	810,187	141,909
Investment earnings	106,453	16,507
Rents and royalties	15,186	-
Other revenue	173,266	18
Total revenues	9,126,382	2,541,098
EXPENDITURES		
Current		
General government	1,641,174	-
Judicial	1,180,259	-
Legal	407,844	-
Financial administration	543,770	-
Public facilities	570,013	-
Public safety	2,607,566	-
Farm to market	-	1,836,043
Health and welfare	760,611	-
Extension service	104,344	-
Debt service		
Debt principal	-	128,591
Interest expense	-	8,629
Fiscal agent's fees and other bond costs	-	-
Capital outlay	118,842	155,072
Intergovernmental	193,821	-
Total expenditures	8,128,244	2,128,335
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	998,138	412,763
OTHER FINANCING SOURCES (USES)		
Issuance of refunding bonds	-	-
Payment to refunding escrow agent	-	-
Proceeds from the sale of capital assets	12,548	-
Transfers in	-	-
Transfers out	(10,000)	-
Total other financing sources (uses)	2,548	-
NET CHANGE IN FUND BALANCES	1,000,686	412,763
FUND BALANCES, BEGINNING	9,847,749	1,095,390
FUND BALANCES, ENDING	\$ 10,848,435	\$ 1,508,153

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

Debt Service Funds	Capital Projects Fund	Coliseum Debt Service Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,273,840	\$ -	\$ -	\$ -	\$ 10,729,931
-	-	441,187	-	441,187
-	-	-	-	111,526
-	-	-	-	407,102
-	-	-	-	429,235
-	-	-	304,437	1,256,533
2,653	4,023	4,770	2,165	136,571
-	-	-	-	15,186
2,564	-	-	10,377	186,225
<u>1,279,057</u>	<u>4,023</u>	<u>445,957</u>	<u>316,979</u>	<u>13,713,496</u>
-	-	-	33,679	1,674,853
-	-	-	28,387	1,208,646
-	-	-	128,644	536,488
-	-	-	-	543,770
-	-	-	80,000	650,013
-	-	-	26,365	2,633,931
-	-	-	-	1,836,043
-	-	-	-	760,611
-	-	-	-	104,344
930,000	-	178,000	-	1,236,591
314,600	-	75,999	-	399,228
-	-	58,000	-	58,000
-	1,463,299	-	-	1,737,213
-	-	-	-	193,821
<u>1,244,600</u>	<u>1,463,299</u>	<u>311,999</u>	<u>297,075</u>	<u>13,573,552</u>
<u>34,457</u>	<u>(1,459,276)</u>	<u>133,958</u>	<u>19,904</u>	<u>139,944</u>
-	-	3,058,000	-	3,058,000
-	-	(3,027,292)	-	(3,027,292)
-	-	-	-	12,548
-	-	-	90,000	90,000
-	-	(80,000)	-	(90,000)
<u>-</u>	<u>-</u>	<u>(49,292)</u>	<u>90,000</u>	<u>43,256</u>
34,457	(1,459,276)	84,666	109,904	183,200
<u>163,629</u>	<u>1,532,684</u>	<u>639,025</u>	<u>459,614</u>	<u>13,738,091</u>
<u>\$ 198,086</u>	<u>\$ 73,408</u>	<u>\$ 723,691</u>	<u>\$ 569,518</u>	<u>\$ 13,921,291</u>

NOLAN COUNTY, TEXAS

Exhibit A-6

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2017

Net Change in Fund Balances -Total Government Funds	\$ 183,200
Amounts reported for governmental activities in the statement of activities (A-5) are different because:	
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	1,737,213
Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of recording current year depreciation expense is to decrease net position.	(957,553)
Issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds and are reported as other financing sources in the fund financial statements but are shown as long term liabilities in the government-wide financial statements.	(3,058,000)
Long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as decreases in long-term debt in the government-wide financial statements. The net effect of recording the current year principal payments is to increase net position.	4,236,591
Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase. The County's unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the District's pension expense must be recognized. These cause the change in net position to increase. The net effect is an decrease in net position.	(332,152)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.	
Increase in unavailable revenue - property taxes	109,797
Increase in unavailable fines and fees	102,432
Increase in unavailable revenue - grants	244,675
Decrease in prepaid bond insurance	(1,877)
Decrease in accrued interest payable	13,036
Decrease in bond premium	54,438
Increase in compensated absences	<u>(1,027)</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$ 2,330,773</u>

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

NOLAN COUNTY, TEXAS
Statement of Fiduciary Net Position - Fiduciary Funds
September 30, 2017

Exhibit A-7

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>791,809</u>
Total assets	\$ <u><u>791,809</u></u>
LIABILITIES	
Due to others	\$ <u>791,809</u>
Total liabilities	\$ <u><u>791,809</u></u>

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

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Nolan County, Texas (the County) included in the accompanying basic financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the County's Basic Financial Statements.

A. Reporting Entity

The County's modified accrual financial statements include the cash accounts of all funds handled by the Office of the County Treasurer. The County's major activities or functions include public safety (sheriff and ambulance), parks and libraries, public health and social services, construction and maintenance of roads, and general administrative services. The County operates under a county judge/commissioners' court type of government as provided for by state statute. The Commissioners' Court has governance responsibilities over all activities related to the County. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. Because members of the Commissioners' Court are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters, the County is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board (GASB), Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

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

• **Basis of Presentation**

Government-wide financial statements. The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

The County does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund financial statements. The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The County reports the following major governmental funds:

General Fund. To account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Farm to Market Fund. To account for proceeds of specific revenue sources that are legally restricted for expenditures for public transportation for County citizens

Capital Projects Fund. The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

Debt Service Fund. This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Coliseum Debt Service Fund. This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

In addition, the County reports the following non-major fund types:

Governmental Funds:

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Fiduciary Fund Types:

Trust and Agency Funds: To account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements.

- **Measurement Focus and Basis of Accounting**

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: The County prepares its governmental fund financial statements on the modified accrual basis of accounting using the current financial resources measurement focus. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

When the County incurs an expenditure or expenses for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

C. Assets, Liabilities, and Net Position or Equity

- **Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

- **Property 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. Property tax revenues are considered available 1) when they become due or past due and receivable within the current period and 2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

- **Capital Assets**

Capital assets include land, buildings, furniture and equipment and are reported in the applicable governmental or business-type activities columns in the Government-Wide Financial Statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, vehicles, furniture and equipment of the County are depreciated using the straight line method over the following estimated useful lives:

Buildings	20 to 30 years
Furniture and Equipment	5 to 12 years
Vehicles and Heavy Equipment	5 to 12 years

- **Receivables and Payable Balances**

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

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue.

There are no significant receivables which are not scheduled for collection within one year of year end.

- **Compensated Absences**

A liability for accumulated unpaid annual leave for all full-time employees is calculated and reported in the government-wide statements.

Upon termination from employment by the County, accrued vacation leave may be paid but not to exceed the maximum vacation leave accrual which is fifteen days for employees with more than ten years of service. Unused sick leave is cancelable and will not be paid on termination, thus vacation time is the only accrued compensation liability recorded.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

- **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has deferred outflows of resources for the difference between projected and actual earnings for its pension plan and contributions made to the pension plan after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes and for the differences between expected and actual experience related to its pension plan. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- **Fund Balance**

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. The fund financial statements will present fund balances classified in a hierarchy based on the strength of the constraints governing how these balances can be spent. These classifications are listed below in descending order of restrictiveness.

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). The County has not reported any amounts as nonspendable at September 30, 2017.

Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The County reported the following restricted fund balances at September 30, 2017:

Debt Service Funds	\$	921,777
Construction		73,408
Records Management		193,682
Courthouse Security		136,067
Courthouse Technology		84,222
Forfeiture Funds		122,448
	\$	<u><u>1,531,604</u></u>

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commissioners' Court (the County's highest level of decision-making authority). The County has not reported any amounts as committed at September 30, 2017.

Assigned fund balance classification includes amounts intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed. The County reported the following assigned fund balances at September 30, 2017:

Jury Fund	\$	10,018
Law Library Fund		13,108
Hot Check Fund		9,894
D.A.R.E. Fund		79
Farm to Market		1,508,153
	\$	<u><u>1,541,252</u></u>

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

- Fund Balance - *continued*

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

Order of Fund Balance Spending Policy

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

Minimum Fund Balance Policy

The County will maintain General fund unassigned fund balance at a level adequate to provide for unanticipated expenditures of a non-recurring nature and to meet unexpected increases in service delivery costs. The target level for General Fund unassigned fund balance will be three to six months of budgeted General Fund expenditures.

- Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund, except quasi-external transactions and reimbursements, transactions are treated as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers.

All other interfund transfers are reported as operating transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Intergovernmental" line of the government-wide statement of net position.

- Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

- Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

- Pensions

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *continued*

- Budgetary information

The County adopts an annual budget for the general fund and the farm to market fund consistent with generally accepted accounting principles. Budgetary control is maintained at the department level. Appropriations lapse at year end for general and special revenue funds.

- Fair Value Measurements

GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

NOTE 2: DEPOSITS AND INVESTMENTS

- Legal and contractual provisions governing 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.

The County's deposits as of September 30, 2017 were entirely covered by FDIC insurance or by pledged collateral held by the County's 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.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 2: DEPOSITS AND INVESTMENTS – *continued*

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 County is in substantial compliance with the requirements of the Act and with local policies.

TexPool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. In addition, the TexPool Advisory Board advises on TexPool’s Investment Policy. This Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. KPMG Peat Marwick, 111 Congress Avenue, Suite 1100, Austin, Texas 78701 performs the annual audit. In addition, TexPool is subject to review by the State Auditor’s Office and by the Internal Auditor of the Comptroller’s Office.

Investments held by the County at September 30, 2017 consisted of the following:

Type of Investments	Fair Value	Credit Rating	Maturities Less Than One Year
TexPool - investments	\$ 5,709	AAAm	\$ 5,709
TexPool - restricted investments	1,133	AAAm	1,133
Total investments	<u>\$ 6,842</u>		<u>\$ 6,842</u>

- Policies governing deposits and investments

In compliance with the Public Funds Investment Act, the County adopted a deposit and investment policy; however, that policy does not 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 and during the year ended September 30, 2017 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. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. The County’s securities are all in securities backed by the United States of America and are not exposed to custodial credit risk.

Other Credit Risk - There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, TexPool’s investment policy allows the portfolio’s investment manager to only invest in obligations of the U.S. Government, its agencies’ repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. As of September 30, 2017 TexPool’s investments credit quality rating was AAAM (Standard & Poor’s).

TexPool manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 90 days. TexPool also seeks to maintain a constant dollar objective.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 2: DEPOSITS AND INVESTMENTS – continued

The County’s general policy is to report nonparticipating interest-earning investment contracts using a cost-based measure. The term “nonparticipating” means that the investment’s value does not vary with the market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest earning investment contracts.

NOTE 3: RECEIVABLES

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Farm to Market Fund	Debt Service Fund	Coliseum Debt Service Fund	Other Governmental Funds	Total
Receivables						
Taxes	\$ 349,524	\$ 68,977	\$ 44,248	\$ 115,714	\$ -	\$ 578,463
Other	5,191,983	380,432	4,136	-	160	5,576,711
Total gross receivables	5,541,507	449,409	48,384	115,714	160	6,155,174
Less: allowance for uncollectible						
Taxes	(258,862)	(47,657)	(27,098)	-	-	(333,617)
Other	(4,084,825)	-	-	-	-	(4,084,825)
Net total receivables	<u>\$ 1,197,820</u>	<u>\$ 401,752</u>	<u>\$ 21,286</u>	<u>\$ 115,714</u>	<u>\$ 160</u>	<u>\$ 1,736,732</u>

NOTE 4: CAPITAL ASSETS

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

	Balance October 1, 2016	Additions	Retirements	Balance September 30, 2017
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 113,975	\$ -	\$ -	\$ 113,975
Construction in progress	1,428,080	1,463,301	-	2,891,381
Total capital assets not being depreciated	<u>1,542,055</u>	<u>1,463,301</u>	<u>-</u>	<u>3,005,356</u>
Capital assets being depreciated				
Buildings and improvements	21,137,504	-	-	21,137,504
Furniture and equipment	6,778,023	273,912	(118,597)	6,933,338
Total capital assets being depreciated	<u>27,915,527</u>	<u>273,912</u>	<u>(118,597)</u>	<u>28,070,842</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,730,902)	(608,402)	-	(5,339,304)
Furniture and equipment	(4,993,965)	(349,151)	118,597	(5,224,519)
Total accumulated depreciation	<u>(9,724,867)</u>	<u>(957,553)</u>	<u>118,597</u>	<u>(10,563,823)</u>
Governmental activities capital assets, net	<u>\$ 19,732,715</u>	<u>\$ 779,660</u>	<u>\$ -</u>	<u>\$ 20,512,375</u>

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 4: CAPITAL ASSETS – *continued*

Depreciation was allocated to the various functions based on the capital assets within each group as follows.

General government	\$	7,909
Public facilities		212,042
Public safety		520,029
Farm to market		<u>217,573</u>
Total depreciation expense	\$	<u><u>957,553</u></u>

NOTE 5: INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables at September 30, 2017, consisted of \$40,000 due to the Coliseum Operations Fund from the Coliseum Debt Service Fund.

Transfers to and from other funds at September 30, 2017, consisted of the following:

Transfers from	Transfers to	Amount	Purpose
General fund	Jury fund	\$ 10,000	Supplement other fund's sources
Coliseum debt service fund	Coliseum operations fund	<u>80,000</u>	Assist with Coliseum operating activities
	Total	<u>\$ 90,000</u>	

During the year ended September 30, 2017, the county entered into an interlocal cooperation contract with the city of Sweetwater, Texas, to provide the County with 44.5% of the quarterly collections of the annual revenues from the Municipal Hotel Occupancy Tax. These funds are to be used for the debt service, administration, operation, and maintenance of Nolan County Coliseum Complex. Funds released to assist with the operation activities of the Coliseum are transferred to a special revenue fund.

NOTE 6: LONG-TERM OBLIGATIONS

- Notes payable

During the year ended September 30, 2013, the County entered into a note payable in the amount of \$225,000 for the purchase of a Caterpillar Motor Grader. Interest is at a fixed rate of 2.5%. The County will make four payments of \$48,480.89 and one payment of \$48,480.86 to be paid in annual payments, including interest. The term of the note is from 2013 to 2018.

During the year ended September 30, 2013, the County entered into a note payable the amount of \$206,500 for the purchase of a Caterpillar Motor Grader. Interest is at a fixed rate of 2.5%. The County will make four payments of \$44,494.68 and one payment of \$44,494.67 to be paid in annual payments, including interest. The term of the note is from 2013 to 2018.

During the year ended September 30, 2016, the County entered into a note payable the amount of \$209,000 for the purchase of a John Deere 670 G Motor Grader. Interest is at a fixed rate of 2.5%. The County will make five payments of \$44,245.27 to be paid in annual payments, including interest. The term of the note is from 2016 to 2020.

Note payable requirements are as follows:

Year Ended September 30,	Total Principal	Total Interest	Total Requirement
2018	\$ 131,300	\$ 5,922	\$ 137,222
2019	42,113	2,132	44,245
2020	<u>43,166</u>	<u>1,079</u>	<u>44,245</u>
	<u>\$ 216,579</u>	<u>\$ 9,133</u>	<u>\$ 225,712</u>

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 6: LONG-TERM OBLIGATIONS – *continued*

- Bonds payable

In April 2006, the County issued Certificates of Obligation in the amount of \$800,000 for paying all or a portion of the County's contractual obligations in connection with making renovations and additions to the Nolan County Coliseum, and to pay legal, fiscal and engineering fees in connection with that project.

During the year ended September 30, 2013, the County issued General Obligation Bonds in the amount of \$15,210,000. The bonds are direct obligations of the County, payable from a continuing annual ad valorem tax levied on all taxable property within the County, within the limits prescribed by law.

The proceeds from the sale of the bonds were used for construction and equipping a new county jail and sheriff's department, including land located west of the city of Sweetwater, renovation and remediating the courthouse façade, and payment of professional services and cost of issuance related thereto.

During the year ended September 30, 2017, the County issued refunding bonds of \$3,058,000 General Obligation Refunding Bonds, Series 2016 for the purpose of refunding \$3,000,000 of Tax Notes, Series 2016, in order to lower the overall debt service requirements of the County and to pay costs associated with the issuance of the bonds.

In regard to this issue, the District recognized cash flow savings of \$245,680 and an economic gain of \$14,871 with an effective interest rate of 2.29%.

The following are Certificates of Obligation bond issues outstanding at September 30, 2017:

	Interest Rate	Date of Issue	Date of Maturity	Bonds Outstanding
GO Bonds Series 2012	2-3%	2012	2028	\$ 7,375,000
GO Bonds Series 2013	2-3%	2013	2028	4,450,000
GO Refunding 2016	3.0%	2017	2031	2,880,000

Debt service requirements are as follows:

Year Ended September 30,	Total Principal	Total Interest	Total Requirement
2018	\$ 1,118,000	\$ 379,680	\$ 1,497,680
2019	1,138,000	355,415	1,493,415
2020	1,168,000	330,600	1,498,600
2021	1,194,000	305,170	1,499,170
2022	1,220,000	279,160	1,499,160
2023-2027	6,682,000	840,240	7,522,240
2028-2031	2,185,000	76,575	2,261,575
Total	\$ <u>14,705,000</u>	\$ <u>2,566,840</u>	\$ <u>17,271,840</u>

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 6: LONG-TERM OBLIGATIONS – *continued*

- Changes in long-term obligations

Long-term debt activity for the year ended September 30, 2017, was as follows:

	Balance October 1, 2016	Additions	Retirements	Balance September 30, 2017	Due Within One Year
Governmental activities					
Bonds and notes payable					
General obligation bonds	\$ 12,755,000	\$ 3,058,000	\$ 1,108,000	\$ 14,705,000	\$ 1,118,000
Tax Notes	3,000,000	-	3,000,000	-	-
Notes payable	345,170	-	128,591	216,579	131,300
Bond premium	598,821	-	54,438	544,383	-
	<u>16,698,991</u>	<u>3,058,000</u>	<u>4,291,029</u>	<u>15,465,962</u>	<u>1,249,300</u>
Other liabilities					
Net pension liability	2,301,865	86,604	-	2,388,469	-
Compensated absences	85,661	1,027	-	86,688	-
	<u>\$ 19,086,517</u>	<u>\$ 3,145,631</u>	<u>\$ 4,291,029</u>	<u>\$ 17,941,119</u>	<u>\$ 1,249,300</u>
Total long-term obligations					

NOTE 7: RISK MANAGEMENT

The County is exposed to various risks of loss related to group health coverage and torts (theft of, damage of, and destruction of assets; errors and omission; injuries to employee; and natural disasters).

Commercial insurance is purchased to cover liabilities associated with risks associated with torts whenever possible. There were no significant changes in coverage, retention, or limits during the year.

During the year ended September 30, 2017, employees of Nolan County were covered by a health insurance plan (the Plan). The county paid health insurance premiums of \$629.08 per month for employees only. The County also paid \$18.64 per month for employee dental care and \$2.03 per month for life insurance. Employees, at their option, authorized payroll to pay an additional cost for dependent coverage. All premiums were paid to a licensed insurer. This plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

During the year ended September 30, 2017, employees of the County were covered by a worker's compensation plan administered by the Texas Association of Counties. The County paid a contribution of \$69,345 for the year ended September 30, 2017. These figures are subject to change based upon actual payroll figures.

NOTE 8: PENSION PLAN

- Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County & District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 738 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 8: PENSION PLAN – *continued*

- Benefits Provided

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

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the County’s Board within certain guidelines.

- Membership

County membership in the TCDRS plan at December 31, 2016 consisted of the following:

Inactive Employee's Accounts:	
Receiving benefits	73
Entitled to but not yet receiving benefits	41
Total	114
Active Employees Accounts	119

- Contributions

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Contribution Rates and Amounts			
		2016	2017
Member		7.0%	7.0%
Employers		10.9%	11.0%
Member Contributions	\$	283,829	\$ 326,416
Employer Contributions	\$	507,565	\$ 515,270

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 8: PENSION PLAN – *continued*

- Actuarial Assumptions

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

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	13.5 years
Asset Valuation Method	5 year smoothed market
Discount Rate	8.10%
Long-term expected Investment Rate of Return*	8.10%
Salary Increases*	4.90%, average
Payroll Growth Rate	1.50%
<i>*Includes Inflation of 3%</i>	

Except for the mortality assumptions, the actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2009 - 2012. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2013 and first used in the December 31, 2013 actuarial valuation. The mortality assumptions were developed by Milliman, Inc. and adopted by the TCDRS Board of Trustees in 2015, and first used in the December 31, 2015 actuarial valuation.

There were no changes in assumptions reflected in the December 31, 2016 actuarial valuation, but there were changes in methods.

The asset valuation method for the December 31, 2016 actuarial valuation is to smooth each year's actuarial investment gains and losses. First, to the extent that there is a loss for the year and there are unrecognized gains from previous years, or to the extent that there is a gain for the year and there are unrecognized losses from previous years, the gain or loss for the year shall be used to offset unrecognized gains or losses from previous years in the order of the oldest to most recent. Any remaining gain or loss for the year is recognized over a five-year period. For the prior valuation, there was no offsetting of unrecognized gains and unrecognized losses, and all asset gains and losses for a year were recognized over a five-year period.

There was also a change in how extra plan contributions are treated effective with the December 31, 2016 actuarial valuation. For the current valuation, if extra lump-sum contributions are made to a plan during the year, the extra contributions are used to offset the unfunded actuarial accrued liability increase, if any, related to plan changes elected during the current year. Extra contributions over the required amount due to an elected rate and any remaining lump-sum contribution amounts are then used to pay down existing loss bases, in the order of the oldest to the most recent. For the prior valuation, extra contributions were first used to offset increases to the unfunded actuarial accrued liability, if any, related to plan changes elected during the year. Any remaining extra contributions were then incorporated into the actuarial gains or losses for the current year.

- Discount Rate

The discount rate used to measure the total pension liability was 8.10% and has not changed since the previous year.

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

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

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 8: PENSION PLAN – *continued*

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is based on a 30-year time horizon; the most recent analysis was performed in 2013 based on the period January 1, 2009 – December 31, 2013. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Benchmark	Target Allocation ¹	Geometric Real Rate of Return ²
US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ³	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities – Developed	50% MSCI World Ex USA (net) + 50% MSCI World Ex USA 100% Hedged to USD (net) Index	10.00%	4.70%
International Equities – Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	7.00%	5.70%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	10.00%	8.15%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁴	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

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

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

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

⁴ Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

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

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 8: PENSION PLAN – *continued*

- Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the County reported a net pension liability of \$2,388,469 measured at December 31, 2016. For the year ended September 30, 2017 the County recognized pension expense of \$823,045.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were changes in plan provisions that are reflected in the December 31, 2016 actuarial valuation. State legislation passed in 2015 and effective January 1, 2017, alters fund accounting related to annuitants. Note that these changes do not impact benefit amounts but do affect the actuarial valuation.

Prior to the 2015 legislation, when a member retired, the member’s account balance in the ESF plus an equal amount from the employer’s subdivision accumulation fund (SAF) account was transferred to the current service annuity reserve fund (CSARF), a system-wide fund. This transfer funded a portion of the retiree’s benefit, with monthly payments for this portion being paid from the CSARF, and the remainder of the retiree’s monthly benefit being paid from the employer’s SAF account.

The 2015 legislation changed this structure. Effective with 2017 retirements, there is no transfer of funds to the CSARF at retirement. Instead the member’s account balance in the employees saving fund (ESF) is transferred to the employer’s SAF at retirement. Also effective January 1, 2017, each employer received a percentage of the total January 1, 2017 CSARF balance. This percentage was equal to the CSARF liabilities related to retirements from each employer divided by the total CSARF liabilities for the system as a whole, determined using the assumptions and methods previously described. Subsequently, all monthly benefit payments for each employer’s retirees are paid from that employer’s SAF account. These changes were reflected in the December 31, 2016 actuarial valuation.

Changes in the net pension liability for the measurement year ended December 31, 2016 are as follows:

Changes in Net Pension Liability / (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances at December 31, 2015	\$ 18,079,181	\$ 15,777,316	\$ 2,301,865
Changes for the year:			
Service cost	591,084	-	591,084
Interest on total pension liability ⁵	1,447,414	-	1,447,414
Effect of plan changes ⁷	-	-	-
Effect of economic/demographic gains or losses	9,215	-	9,215
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(36,740)	(36,740)	-
Benefit payments	(982,435)	(982,435)	-
Administrative expenses	-	(12,687)	12,687
Member contributions	-	326,416	(326,416)
Net investment income	-	1,166,505	(1,166,505)
Employer contributions	-	515,270	(515,270)
Other ⁶	-	(34,395)	34,395
Balances as of December 31, 2016	\$ 19,107,719	\$ 16,719,250	\$ 2,388,469

⁵ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁶ Relates to the allocation of system-wide items.

⁷ Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 8: PENSION PLAN – *continued*

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

	1% Decrease (7.10%)	Discount Rate (8.10%)	1% Increase (9.10%)
Total pension liability	\$ 21,293,903	\$ 19,107,719	\$ 17,260,945
Fiduciary net position	16,719,250	16,719,250	16,719,250
Net pension liability / (asset)	\$ 4,574,653	\$ 2,388,469	\$ 541,695

At December 31, 2016 the County reported its share of the TCDRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Inflows of Resources	Outflows of Resources
Differences between expected and actual economic experience	\$ 73,575	\$ 28,762
Changes in actuarial assumptions	-	110,968
Net difference between projected and actual investment earnings	-	854,508
Contributions paid to TCDRS subsequent to the measurement date	-	348,383
Total	\$ 73,575	\$ 1,342,621

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$348,383 will be recognized as a reduction of the net pension liability for the year ending September 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30,	Expense
2017	\$ 332,928
2018	311,077
2019	256,151
2020	20,507
	\$ 920,663

NOLAN COUNTY, TEXAS
Notes to Basic Financial Statements
September 30, 2017

NOTE 9: COMMITMENTS AND CONTINGENCIES

- Contingencies

The County participates in numerous grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds or any money received may be required and collectability of any related receivable at September 30, 2017 may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grant; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

- Litigation

The County Attorney has indicated that there are various lawsuits filed and pending against the County but in the County's opinion none will result in a material effect on the County's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements.

NOLAN COUNTY, TEXAS
General Fund
Budgetary Comparison Schedule
September 30, 2017

Exhibit B-1

	Budget Amounts		Actual	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 7,663,717	\$ 7,663,717	\$ 7,637,020	\$ (26,697)
Other taxes	82,500	82,500	111,526	29,026
Licenses and permits	52,000	52,000	56,202	4,202
Intergovernmental revenue and grants	211,783	211,783	216,542	4,759
Fines & fees	658,000	658,000	810,187	152,187
Investment earnings	43,000	43,000	106,453	63,453
Rents and royalties	14,420	14,420	15,186	766
Other revenue	152,500	152,496	173,266	20,770
Total revenues	8,877,920	8,877,916	9,126,382	248,466
EXPENDITURES				
Current				
General government	1,993,832	1,902,733	1,641,174	261,559
Judicial	1,202,400	1,258,999	1,180,259	78,740
Legal	432,438	436,938	407,844	29,094
Financial administration	584,485	584,481	543,770	40,711
Public facilities	654,943	654,943	570,013	84,930
Public safety	2,760,235	2,760,235	2,607,566	152,669
Health and welfare	608,006	769,006	760,611	8,395
Extension service	138,724	138,724	104,344	34,380
Capital outlay	95,000	95,000	118,842	(23,842)
Intergovernmental				
Intergovernmental	205,297	205,297	193,821	11,476
Total expenditures	8,675,360	8,806,356	8,128,244	678,112
EXCESS OF REVENUES OVER EXPENDITURES	202,560	71,560	998,138	926,578
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	-	12,548	12,548
Transfers out	(110,000)	21,000	(10,000)	(31,000)
Total other financing sources (uses)	(110,000)	21,000	2,548	(18,452)
NET CHANGE IN FUND BALANCE	92,560	92,560	1,000,686	908,126
FUND BALANCE, BEGINNING	9,847,749	9,847,749	9,847,749	-
FUND BALANCE, ENDING	\$ 9,940,309	\$ 9,940,309	\$ 10,848,435	\$ 908,126

NOLAN COUNTY, TEXAS
Farm to Market Fund
Budgetary Comparison Schedule
September 30, 2017

Exhibit B-2

	Budget Amounts		Actual	Variance with Final Budget Positive or (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,828,501	\$ 1,828,501	\$ 1,819,071	\$ (9,430)
Licenses and permits	350,000	350,000	350,900	900
Intergovernmental revenue and grants	55,000	521,000	212,693	(308,307)
Fines & fees	137,000	137,000	141,909	4,909
Investment earnings	4,400	4,400	16,507	12,107
Other revenue	1,000	1,000	18	(982)
Total revenues	2,375,901	2,841,901	2,541,098	(300,803)
EXPENDITURES				
Current				
Farm to market	2,028,567	2,391,567	1,836,043	555,524
Debt service				
Debt principal	130,000	130,000	128,591	1,409
Interest expense	9,000	9,000	8,629	371
Capital outlay	211,000	211,000	155,072	55,928
Total expenditures	2,378,567	2,741,567	2,128,335	613,232
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,666)	100,334	412,763	312,429
NET CHANGE IN FUND BALANCE	(2,666)	100,334	412,763	312,429
FUND BALANCE, BEGINNING	1,095,390	1,095,390	1,095,390	-
FUND BALANCE, ENDING	\$ 1,092,724	\$ 1,195,724	\$ 1,508,153	\$ 312,429

NOLAN COUNTY, TEXAS
Notes to Required Supplementary Information - Budgets
For the Year Ended September 30, 2017

BUDGETARY INFORMATION

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

1. The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures and the means of financing them, for the succeeding year and delivers the proposed budget to Commissioners' Court.
2. Commissioners' Court holds budget sessions with each department head.
3. Commissioners' Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners' Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.

An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2017 budget were approved by the Commissioners' Court as provided by law. Total expenditures did not exceed the budget.

NOLAN COUNTY, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
Texas County & District Retirement System
Year Ended September 30, 2017

	Year Ended December 31,		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 591,084	\$ 501,502	\$ 481,148
Interest on total pension liability	1,447,414	1,379,775	1,299,143
Effect of plan changes	-	(75,868)	-
Effect of assumption changes or inputs	9,215	221,937	-
Effect of economic/demographic (gains) or losses	(36,740)	(147,149)	87,402
Benefit payments/refunds of contributions	(982,435)	(1,015,794)	(894,249)
Net change in total pension liability	<u>1,028,538</u>	<u>864,403</u>	<u>973,444</u>
Total pension liability, beginning	<u>18,079,181</u>	<u>17,214,778</u>	<u>16,241,334</u>
Total pension liability, ending (a)	<u>\$ 19,107,719</u>	<u>\$ 18,079,181</u>	<u>\$ 17,214,778</u>
Fiduciary Net Position			
Employer contributions	\$ 515,270	\$ 481,147	\$ 440,451
Member contributions	326,416	308,106	284,161
Investment income net of investment expenses	1,166,505	119,480	1,034,882
Benefit payments/refunds of contributions	(1,019,175)	(1,015,794)	(894,249)
Administrative expenses	(12,687)	(11,365)	(11,850)
Other	(34,395)	79,880	13,866
Net change in fiduciary net position	<u>941,934</u>	<u>(38,546)</u>	<u>867,261</u>
Fiduciary net position, beginning	<u>15,777,316</u>	<u>15,815,862</u>	<u>14,948,601</u>
Fiduciary net position, ending (b)	<u>\$ 16,719,250</u>	<u>\$ 15,777,316</u>	<u>\$ 15,815,862</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 2,388,469</u>	<u>\$ 2,301,865</u>	<u>\$ 1,398,916</u>
Fiduciary net position as a percentage of total pension liability	87.50%	87.27%	91.87%
Pensionable covered payroll	\$ 4,663,081	\$ 4,401,516	\$ 4,059,437
Net pension liability as a percentage of covered payroll	51.22%	52.30%	34.46%

NOLAN COUNTY, TEXAS
Schedule of Employer Contributions
Texas County & District Retirement System
For Fiscal Year 2017

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a Percentage of Covered Payroll</u>
2006	\$ 243,415	\$ 243,415	-	\$ 2,804,316	8.7%
2007	270,036	270,036	-	3,040,949	8.9%
2008	263,499	263,499	-	3,078,259	8.6%
2009	298,627	298,627	-	3,484,560	8.6%
2010	352,185	352,185	-	3,687,800	9.6%
2011	357,874	357,874	-	3,827,515	9.4%
2012	367,182	367,182	-	3,765,970	9.7%
2013	396,873	396,873	-	3,883,264	10.2%
2014	440,451	440,451	-	4,059,437	10.9%
2015	481,086	481,147	(61)	4,401,516	10.9%
2016	515,270	515,270	-	4,663,081	11.0%

NOLAN COUNTY, TEXAS
Notes to Required Supplementary Information - Pensions
For the Year Ended September 30, 2017

NET PENSION LIABILITY – TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	13.5 years (based on contribution rate calculated in 12/31/2016 valuation)
Asset valuation method	5 year smoothed market
Inflation	3.0%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.00%, net of investment expense, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

Changes of Benefit Terms

There were changes in plan provisions that are reflected in the December 31, 2016 actuarial valuation. State legislation passed in 2015 and effective January 1, 2017, alters fund accounting related to annuitants. Note that these changes do not impact benefit amounts but do affect the actuarial valuation.

Prior to the 2015 legislation, when a member retired, the member's account balance in the ESF plus an equal amount from the employer's subdivision accumulation fund (SAF) account was transferred to the current service annuity reserve fund (CSARF), a system-wide fund. This transfer funded a portion of the retiree's benefit, with monthly payments for this portion being paid from the CSARF, and the remainder of the retiree's monthly benefit being paid from the employer's SAF account.

The 2015 legislation changed this structure. Effective with 2017 retirements, there is no transfer of funds to the CSARF at retirement. Instead the member's account balance in the employees saving fund (ESF) is transferred to the employer's SAF at retirement. Also effective January 1, 2017, each employer received a percentage of the total January 1, 2017 CSARF balance. This percentage was equal to the CSARF liabilities related to retirements from each employer divided by the total CSARF liabilities for the system as a whole, determined using the assumptions and methods previously described. Subsequently, all monthly benefit payments for each employer's retirees are paid from that employer's SAF account. These changes were reflected in the December 31, 2016 actuarial valuation.

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Changes of Assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

COMBINING STATEMENTS AS SUPPLEMENTARY INFORMATION

The supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

NOLAN COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2017

	Jury Fund	Law Library Fund	Hot Check Fund	D.A.R.E Fund
ASSETS				
Cash and cash equivalents	\$ 10,018	\$ 13,593	\$ 9,894	\$ 79
Other receivables (net)	-	60	-	-
Due from other funds	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	2,455	-
Total assets	\$ 10,018	\$ 13,653	\$ 12,349	\$ 79
LIABILITIES				
Accounts payable	-	545	-	-
Total liabilities	-	545	-	-
FUND BALANCES				
Restricted fund balance				
Enabling legislation	-	-	2,455	-
Assigned fund balance				
Other purposes	10,018	13,108	9,894	79
Total fund balances	10,018	13,108	12,349	79
Total liabilities and fund balances	\$ 10,018	\$ 13,653	\$ 12,349	\$ 79

<u>County Records Management</u>	<u>County Clerk Records Management</u>	<u>District Clerk Records Management</u>	<u>Courthouse Security Fund</u>	<u>County Technology Fund</u>	<u>District Attorney Forfeiture Fund</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
15	-	75	10	-	-
-	-	-	-	-	-
<u>9,442</u>	<u>162,300</u>	<u>21,850</u>	<u>136,057</u>	<u>84,222</u>	<u>83,109</u>
<u>\$ 9,457</u>	<u>\$ 162,300</u>	<u>\$ 21,925</u>	<u>\$ 136,067</u>	<u>\$ 84,222</u>	<u>\$ 83,109</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
<u>9,457</u>	<u>162,300</u>	<u>21,925</u>	<u>136,067</u>	<u>84,222</u>	<u>83,109</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>9,457</u>	<u>162,300</u>	<u>21,925</u>	<u>136,067</u>	<u>84,222</u>	<u>83,109</u>
<u>\$ 9,457</u>	<u>\$ 162,300</u>	<u>\$ 21,925</u>	<u>\$ 136,067</u>	<u>\$ 84,222</u>	<u>\$ 83,109</u>

NOLAN COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Balance Sheet
September 30, 2017

	District Attorney Federal Forfeiture Fund	Sheriff Forfeiture Fund	Sheriff Federal Forfeiture Fund	Coliseum Operations Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Other receivables (net)	-	-	-	-
Due from other funds	-	-	-	40,000
Restricted assets				
Cash and cash equivalents	<u>30,548</u>	<u>6,316</u>	<u>20</u>	<u>-</u>
Total assets	<u>\$ 30,548</u>	<u>\$ 6,316</u>	<u>\$ 20</u>	<u>\$ 40,000</u>
LIABILITIES				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,000</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
FUND BALANCES				
Restricted fund balance				
Enabling legislation	30,548	6,316	20	-
Assigned fund balance				
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>30,548</u>	<u>6,316</u>	<u>20</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 30,548</u>	<u>\$ 6,316</u>	<u>\$ 20</u>	<u>\$ 40,000</u>

<u>Total Nonmajor Special Revenue Funds</u>	
\$	33,584
	160
	40,000
	<u>536,319</u>
\$	<u><u>610,063</u></u>
\$	<u>40,545</u>
	<u>40,545</u>
	536,419
	<u>33,099</u>
	<u>569,518</u>
\$	<u><u>610,063</u></u>

NOLAN COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
September 30, 2017

	Jury Fund	Law Library Fund	Hot Check Fund	D.A.R.E Fund
REVENUES				
Hotel/motel taxes	\$ -	\$ -	\$ -	\$ -
Fines & fees	502	5,920	14,399	-
Investment earnings	58	-	-	-
Other revenue	4,794	-	-	-
Total revenues	5,354	5,920	14,399	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	10,099	6,140	-	-
Legal	-	-	11,944	-
Public safety	-	-	-	-
Public Facilities	-	-	-	-
Capital outlay	-	-	-	-
Debt Service:				
Debt principal	-	-	-	-
Interest	-	-	-	-
Fiscal agent's fees	-	-	-	-
Total expenditures	10,099	6,140	11,944	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,745)	(220)	2,455	-
OTHER FINANCING SOURCES				
Transfers in	10,000	-	-	-
Total other financing sources	10,000	-	-	-
NET CHANGE IN FUND BALANCES	5,255	(220)	2,455	-
FUND BALANCES, BEGINNING	4,763	13,328	9,894	79
FUND BALANCES, ENDING	\$ 10,018	\$ 13,108	\$ 12,349	\$ 79

County Records Management	County Clerk Records Management	District Clerk Records Management	Courthouse Security Fund	County Technology Fund	District Attorney Forfeiture Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,729	52,919	6,636	18,129	13,681	185,522
-	1,247	-	-	-	526
-	-	-	-	-	-
<u>6,729</u>	<u>54,166</u>	<u>6,636</u>	<u>18,129</u>	<u>13,681</u>	<u>186,048</u>
-	29,148	4,531	-	-	-
-	-	-	12,148	-	-
-	-	-	-	-	114,340
-	-	-	-	13,326	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>29,148</u>	<u>4,531</u>	<u>12,148</u>	<u>13,326</u>	<u>114,340</u>
<u>6,729</u>	<u>25,018</u>	<u>2,105</u>	<u>5,981</u>	<u>355</u>	<u>71,708</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>6,729</u>	<u>25,018</u>	<u>2,105</u>	<u>5,981</u>	<u>355</u>	<u>71,708</u>
<u>2,728</u>	<u>137,282</u>	<u>19,820</u>	<u>130,086</u>	<u>83,867</u>	<u>11,401</u>
<u>\$ 9,457</u>	<u>\$ 162,300</u>	<u>\$ 21,925</u>	<u>\$ 136,067</u>	<u>\$ 84,222</u>	<u>\$ 83,109</u>

NOLAN COUNTY, TEXAS
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
September 30, 2017

	District Attorney Federal Forfeiture Fund	Sheriff Forfeiture Fund	Sheriff Federal Forfeiture Fund	Coliseum Operations
REVENUES				
Hotel/motel taxes	\$ -	\$ -	\$ -	\$ -
Fines & fees	-	-	-	-
Investment earnings	258	76	-	-
Other revenue	-	5,583	-	-
	<u>258</u>	<u>5,659</u>	<u>-</u>	<u>-</u>
Total revenues	258	5,659	-	-
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	-	-	-	-
Legal	2,360	-	-	-
Public safety	-	13,039	-	-
Public Facilities	-	-	-	80,000
Capital outlay	-	-	-	-
Debt Service:				
Debt principal	-	-	-	-
Interest	-	-	-	-
Fiscal agent's fees	-	-	-	-
	<u>2,360</u>	<u>13,039</u>	<u>-</u>	<u>80,000</u>
Total expenditures	2,360	13,039	-	80,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(2,102)</u>	<u>(7,380)</u>	<u>-</u>	<u>(80,000)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	-	80,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Total other financing sources	-	-	-	80,000
NET CHANGE IN FUND BALANCES				
	(2,102)	(7,380)	-	-
FUND BALANCES, BEGINNING				
	<u>32,650</u>	<u>13,696</u>	<u>20</u>	<u>-</u>
FUND BALANCES, ENDING				
	<u>\$ 30,548</u>	<u>\$ 6,316</u>	<u>\$ 20</u>	<u>\$ -</u>

<u>Total Nonmajor Special Revenue Funds</u>	
\$	
	304,437
	2,165
	<u>10,377</u>
	<u>316,979</u>
	33,679
	28,387
	128,644
	26,365
	80,000
	<u>297,075</u>
	<u>19,904</u>
	<u>90,000</u>
	<u>90,000</u>
	109,904
	<u>459,614</u>
\$	<u><u>569,518</u></u>

NOLAN COUNTY, TEXAS
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
September 30, 2017

	<u>Unclaimed Money</u>	<u>Trust & Agency</u>	<u>Restitution Fund</u>	<u>Extraditions Fund</u>
ASSETS				
Cash and cash equivalents	\$ <u>97</u>	\$ <u>89,450</u>	\$ <u>270,378</u>	\$ <u>19,199</u>
TOTAL ASSETS	\$ <u>97</u>	\$ <u>89,450</u>	\$ <u>270,378</u>	\$ <u>19,199</u>
LIABILITIES				
Due to others	\$ <u>97</u>	\$ <u>89,450</u>	\$ <u>270,378</u>	\$ <u>19,199</u>
TOTAL LIABILITIES	\$ <u>97</u>	\$ <u>89,450</u>	\$ <u>270,378</u>	\$ <u>19,199</u>

District Attorney Funds	Sheriff Funds	Tax Assessor Collector Funds	County Court Funds	District Clerk Funds	Total Agency Funds
\$ 51,197	\$ 28,223	\$ 173,835	\$ 73,855	\$ 85,575	\$ 791,809
<u>\$ 51,197</u>	<u>\$ 28,223</u>	<u>\$ 173,835</u>	<u>\$ 73,855</u>	<u>\$ 85,575</u>	<u>\$ 791,809</u>
\$ 51,197	\$ 28,223	\$ 173,835	\$ 73,855	\$ 85,575	\$ 791,809
<u>\$ 51,197</u>	<u>\$ 28,223</u>	<u>\$ 173,835</u>	<u>\$ 73,855</u>	<u>\$ 85,575</u>	<u>\$ 791,809</u>

OTHER INFORMATION REQUIRED BY GAO

INDEPENDENT AUDITOR'S 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*

To the Honorable Judge and
Members of Commissioners Court
Nolan County, Texas:

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 Nolan County, Texas (County), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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.

Dennis Kinard & Co., PC
Certified Public Accountants

Abilene, Texas
November 29, 2017