

COOKE COUNTY, TEXAS

Annual Financial Report

**For Fiscal Year
September 30, 2017**

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COOKE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2017

Page Number

INTRODUCTORY SECTION

Letter of Transmittal	i – iii
Elected Officials and Appointed Department Heads	iv
Organizational Chart.....	v

FINANCIAL SECTION

Independent Auditors' Report.....	1 – 3
Management's Discussion and Analysis	4 – 11
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures and Changes in	
Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures	
and Changes in Fund Balances of Governmental Funds to the	
Statement of Activities.....	17

COOKE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2017

Page Number

Statement of Fiduciary Funds	18
Notes to Financial Statements.....	19 – 40

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	41 – 42
---	---------

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road and Bridge #4	43
---	----

Schedule of Changes in Net Pension Liability and Related Ratios	44
--	----

Schedule of Employer Contributions.....	45
---	----

Notes to Schedule of Employer Contributions	46
---	----

Retiree Health Program – Schedule of Funding Progress	47
---	----

Combining Statements

Combining Balance Sheet – Nonmajor Governmental Funds	48 – 53
---	---------

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	54 – 59
---	---------

Combining Statement of Fiduciary Funds	60 – 61
--	---------

OTHER SCHEDULE

Tax Rate Information	62
----------------------------	----

COOKE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

SEPTEMBER 30, 2017

**Page
Number**

SINGLE AUDIT SECTION

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	63 – 64
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	65 – 66
Schedule of Expenditures of Federal Awards.....	67
Notes to Schedule of Expenditures of Federal Awards	68
Schedule of Findings and Questioned Costs.....	69
Summary Schedule of Prior Audit Findings.....	70

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INTRODUCTORY SECTION

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**COOKE COUNTY AUDITOR
COOKE COUNTY COURTHOUSE
101 SOUTH DIXON STREET
GAINESVILLE, TEXAS 76240
PHONE: 940-668-5431 - FAX: 940-668-5442**

June 4, 2018

Honorable District Judge
Honorable County Judge
Honorable County Commissioners
Cooke County, Texas

The Annual Financial Report of Cooke County, Texas, for the fiscal year ended September 30, 2017, is submitted herewith in accordance with Chapter 114.025 of the Local Government Code. The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed public accountants.

This report consists of management's representations concerning the finances of Cooke County, Texas. Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide basis for making these representations, Cooke County management has established a comprehensive internal control framework designed both to protect governmental assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Cooke County's comprehensive framework, because the cost of internal controls should not outweigh their benefits, has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Pattillo, Brown & Hill, L.L.P., a firm of licensed certified public accountants, has audited Cooke County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended September 30, 2017, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing principles used and significant estimates made by management; and evaluating the overall financial presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion on Cooke County's financial statements for fiscal year ended September 30, 2017, that they were fairly presented in conformity with GAAP.

The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Cooke County was a part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Cooke County's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

Located in North Central Texas, Cooke County was incorporated in 1848 and the County was named after the Texas Revolution Hero William G. Cooke. The County's population has remained relatively stable in the last hundred years. The current population projection is 39,579, which is a 9.5% increase over the 2000 census of 36,363. The County has a land area of 792 square miles.

The County operates as specified under the Constitution of the State of Texas and Vernon's Texas Code Annotated which provide for a Commissioners' Court consisting of the County Judge and four Commissioners, one for each of four geographical precincts. The County Judge is elected for a term of four years and the Commissioners for four-year staggered terms.

Cooke County provides a full range of services, including judicial, law enforcement, jail facilities, construction and maintenance of roads, bridges, and other infrastructure and homeland security response teams.

The annual budget serves as the foundation for Cooke County's financial planning and control. All departments of the County are required to submit requests for appropriations to the County Judge by the first of June. The County Judge uses these requests as the starting point for developing a proposed budget. The proposed budget is then prepared by the County Judge and submitted to Commissioners' Court for their consideration. Commissioners' Court then holds budget hearings to hear the requests from all departments. The Court is required to publish specific information, notices, and hold public hearings as defined by state statute. Once, and if all these requirements are met, the Court may adopt the budget and the tax rate by September 1 or as soon thereafter as is practical. The appropriated budget is adopted by line item. Budget to actual comparisons are provided in this report for the General Fund.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which Cooke County operates.

Local Economy. Cooke County is experiencing the same economic stability felt across North Texas, however oil and gas production has decreased resulting in lower mineral values.

Population growth has remained relatively steady. Renovations to the 100-year old courthouse have been completed and is the anchor to an active City square.

Long-term financial planning. The Commissioners' Court continues to be very active in maintaining viable fund balances to be able to finance any projects or emergencies that may arise.

Cash management policies and practices. Cash temporarily idle during the year was invested according to the adopted investment policy. Short-term and long-term cash flow was met with investing in cash-equivalent pools and the County bank depository. The investments are met to obtain the highest possible yield while still protecting the principal.

Risk management. Cooke County has a pooled insurance program for liability claims, workers' compensation and health and dental insurance. Additional information on Cooke County's risk management activities can be found in Note 4(a) of the notes to the financial statements.

Pension. The County provides retirement, disability, and death benefits for all of its fulltime and permanent part-time employees through a nontraditional defined pension plan in the statewide Texas County and District Retirement System (TCDRS). Detail information on the retirement plan can be found in the notes to the financial statements.

The preparation of this report could not have been possible without the efficient and dedicated services of the entire staff of the County Auditor's office. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit must also be given to the Commissioners' Court and Board of District Judges for their support for maintaining the highest standard professionalism in the management of Cooke County's finances.

Respectfully submitted,



Shelly Atteberry
Cooke County Auditor

COOKE COUNTY, TEXAS

ELECTED OFFICIALS AND APPOINTED DEPARTMENT HEADS

County Judge	Jason Brinkley
Commissioner Pct. 1	Gary Hollowell
Commissioner Pct. 2	B.C. Lemons
Commissioner Pct. 3	John Klement
Commissioner Pct. 4	Leon Klement
County Attorney	Edmund Zielinski
County Auditor	Shelly Atteberry
County Clerk	Rebecca Lawson
County Court at Law Judge	John Morris
District Clerk	Marci A. Gilbert
Justice of Peace Pct. 1	Olivia L. Neu
Justice of Peace Pct. 2	Carroll Johnson
Sheriff	Terry Gilbert
Tax Assessor-Collector	Brandy Ann Carr
Treasurer	Patty Brennan
District Attorney	John Warren
District Judge	Janelle Haverkamp
Environmental Health	Laura Blanton
Librarian	Jennifer Johnson-Spence
Veterans Service Officer	Tim Cortes
EMS Administrator	Kevin Grant
Constable Pct. 1	Chris Watson
Constable Pct. 4	Russ Harper

**Cooke County, Texas
Organizational Chart
2017**



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FINANCIAL SECTION

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Judge and
Commissioners' Court
Cooke 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 Cooke 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.

Auditors' Responsibility

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, pension information, and the OPEB schedule of funding progress on pages 4 – 11, and 41 – 47 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 introductory section and combining fund financial statements, other schedule and the schedule of expenditures of federal as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and the schedule of expenditures of federal awards 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 fund financial statements and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and other schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2018, 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 solely describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's 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 the County's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 4, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of Cooke County, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with the independent auditors' report on page 1 and the County's basic financial statements that begin on page 12.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows at the close of the fiscal year ended September 30, 2017, by \$53,817,727 (net position), an increase of \$236,713 or 0.44% over the prior year ending net position. Of this amount, \$20,245,022 (unrestricted net position) may be used to meet the County's ongoing *obligations* to citizens and creditors.
- As of September 30, 2017, the County's governmental funds reported combined fund balances of \$31,051,510. Approximately 28.74% of this total amount, \$8,925,002, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,925,002, or approximately 45.66% of total General Fund expenditures.
- The County's total outstanding long-term debt decreased by \$868,106 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to private-sector business. The analysis of the County's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the County is better or worse off as a result of the year's activities.

The *Statement of Net Position* presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Liabilities are considered regardless of whether they must be paid in the current or future years.

The government-wide financial statements can be found on pages 12 – 13 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole.

- Some funds are required by state law and/or bond covenants.
- Other funds may be established by the Commissioners' Court to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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 funds 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.

The County maintains 32 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund which is the only fund considered to be a major fund. Data from the other 29 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General fund, road and bridge funds, and certain other special revenue funds. A budgetary comparison schedule has been provided to demonstrate compliance with the General Fund budget. The basic governmental fund financial statements can be found on pages 14 – 17 of this report.

- **Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The statement of fiduciary funds can be found on page 18 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements on pages 19 – 40 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 41 – 47 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$53,817,727 as of September 30, 2017, an increase of \$236,713 as compared with the previous fiscal year. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – is \$20,245,022 at September 30, 2017, a decrease of \$440,291 from the prior year unrestricted net position of \$20,685,313.

The following table presents condensed financial information derived from the Statement of Net Position:

COOKE COUNTY'S NET POSITION

	Governmental Activities	
	2017	2016
Current and other assets	\$ 35,684,822	\$ 33,542,917
Capital assets	26,257,883	27,010,419
Total assets	61,942,705	60,553,336
Deferred outflows of resources	3,391,246	4,007,020
Total deferred outflows of resources	3,391,246	4,007,020
Long-term liabilities	7,865,324	8,779,646
Other liabilities	2,773,515	1,346,752
Total liabilities	10,638,839	10,126,398
Deferred inflows of resources	877,385	852,944
Total deferred inflows of resources	877,385	852,944
Net position:		
Net investment		
in capital assets	21,608,030	21,972,443
Restricted	11,964,675	10,923,258
Unrestricted	20,245,022	20,685,313
Total net position	\$ 53,817,727	\$ 53,581,014

Investment in capital assets (i.e. land, buildings, furniture, and equipment) less any outstanding debt used to acquire those assets is \$21,608,030, a decrease of 1.66% over the prior fiscal year balance of \$21,972,443. This represents a significant portion (40.15%) of the County's net position. Cooke County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A smaller portion of the County's total net position (22.23%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$20,245,022 (37.62%) is unrestricted and may be used to meet the County's ongoing obligations to citizens and creditors. This surplus is not an indication that the County has significant resources available to meet financial obligations next year, but rather it results from the fiscal planning necessary to meet certain *long-term commitments* that generally accepted accounting principles currently have no provision for recognizing.

COOKE COUNTY'S CHANGES IN NET POSITION

	Governmental Activities	
	2017	2016
Revenues:		
Program revenues:		
Charges for services	\$ 5,057,531	\$ 5,781,840
Operating grants and contributions	2,733,220	991,518
Capital grants and contributions	1,141,428	301,212
General revenues:		
Property taxes	16,544,560	16,528,069
Sales taxes	3,139,629	2,557,528
Other taxes	62,863	62,894
Gain on sale of capital assets	144,333	152,461
Investment income	231,619	127,965
Miscellaneous	203,205	709,931
Total revenues	<u>29,258,388</u>	<u>27,213,418</u>
Expenses:		
General government	8,354,843	4,703,487
Health and safety	3,679,506	3,504,053
Education	116,524	116,141
Culture and recreation	554,570	471,491
Welfare	44,569	43,735
Judicial	10,398,455	9,946,971
Transportation	5,707,337	5,267,739
Interest on long-term debt	165,871	177,553
Total expenses	<u>29,021,675</u>	<u>24,231,170</u>
Change in net position	236,713	2,982,248
Net position, beginning	<u>53,581,014</u>	<u>50,598,766</u>
Net position, ending	<u>\$ 53,817,727</u>	<u>\$ 53,581,014</u>

Governmental Activities

The County's total net position increased by \$236,713 as compared to the prior fiscal year's increase of \$2,982,248. The total cost of all governmental activities this year was \$29,021,675, an increase of 19.77% when compared to the prior fiscal year.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Cooke County uses fund accounting to ensure and demonstrate compliance with finance-related legal and contractual requirements.

Governmental Funds

The focus of Cooke County's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$31,051,510, an increase of \$509,522 (1.67%) over the prior year. Approximately 28.74% of this amount (\$8,925,002) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is 1) not in spendable form (\$21,117), 2) legally required to be maintained intact (\$34,000), 3) restricted for particular purposes (\$11,798,694), or 4) assigned for particular purposes (\$10,272,697).

The General Fund is the chief operating fund of Cooke County. At the end of the current fiscal year, total fund balance of the General Fund was \$19,218,816, a decrease of \$537,336 over the prior year. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. At September 30, 2017, unassigned fund balance represents 45.66% of total General Fund expenditures.

Key factors of the \$537,336 decrease in the ending fund balance of the General Fund are as follows:

- A \$1,310,025 increase in general government expenditures;
- A \$70,209 increase in culture and recreation expenditures; and
- A \$187,246 increase in judicial expenditures as compared to the prior year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were limited to a total increase in appropriations of \$399,081 and consisted of the following briefly summarized items:

- \$147,895 increase in emergency management;
- \$93,829 increase in emergency medical services;
- \$13,450 increase in library;
- \$55,113 increase in Sheriff's office;
- \$139,814 increase in jail operations; and
- \$125,683 increase in capital outlay.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Cooke County's investment in capital assets for its governmental activities as of September 30, 2017, amounts to \$26,257,883 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, machinery and equipment, and construction in progress.

Major capital asset events during the current fiscal year included purchases of various vehicles and equipment for the amount of \$846,536. These purchases include two ambulances totaling \$296,500, law enforcement vehicles for \$109,080, and road construction equipment for \$411,320.

COOKE COUNTY'S CAPITAL ASSETS

	Governmental Activities	
	2017	2016
Land	\$ 414,975	\$ 396,623
Buildings and improvements	31,271,943	31,271,943
Infrastructure	2,170,289	2,170,289
Machinery and equipment	12,979,683	12,429,229
Accumulated depreciation	(20,579,007)	(19,257,665)
Total capital assets	\$ <u>26,257,883</u>	\$ <u>27,010,419</u>

Additional information regarding the County's capital assets can be found in the notes on page 29 of this report.

Long-term Debt

COOKE COUNTY'S OUTSTANDING DEBT

	Governmental Activities	
	2017	2016
General obligations bonds	\$ 4,890,000	\$ 5,510,000
Capital lease	178,651	235,001
Compensated absences	324,693	329,556
Net pension liability	1,398,013	1,704,895
OPEB obligation	796,666	676,677
	<u>\$ 7,588,023</u>	<u>\$ 8,456,129</u>

At year-end, the County had \$4,890,000 in bonds outstanding versus \$5,510,000 at the end of the prior year. More detailed information about the County's long-term liabilities is presented in the notes to the financial statements on pages 30 – 31.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Cooke County's elected officials considered many factors when setting the fiscal year 2018 budget and tax rates. The County authorized a maintenance and operations tax rate of \$0.4751 as compared with the fiscal year 2017 rate of \$0.4808. However, in fiscal year 2016-17, the interest and sinking rate was \$0.0189, while for fiscal year 2017-18, the interest and sinking tax rate will be \$0.0186, making the County's total tax rate, including \$0.0001 for lateral road, \$0.4938 for 2017-18 as compared with a total tax rate of \$0.4998 for fiscal year 2016-17.

The County's 2017-18 budget projects an increase in General Fund revenues of \$949,600 and an increase in General Fund expenditures of \$929,393.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Cooke County Auditor's office, at the Cooke County Courthouse, Gainesville, Texas 76240.

BASIC FINANCIAL STATEMENTS

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COOKE COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 30,964,717
Receivables, net	4,698,413
Inventory	12,164
Prepaid items	9,528
Capital assets:	
Non-depreciable	414,975
Depreciable	<u>25,842,908</u>
Total capital assets, net	<u>26,257,883</u>
Total assets	<u>61,942,705</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	372,582
Deferred outflows - pensions	<u>3,018,664</u>
Total deferred outflows of resources	<u>3,391,246</u>
LIABILITIES	
Accounts payable	2,502,672
Accrued liabilities	238,935
Unearned revenue	11,806
Interest payable	20,102
Noncurrent liabilities:	
Due within one year	757,860
Due in more than one year	<u>7,107,464</u>
Total noncurrent liabilities	<u>7,865,324</u>
Total liabilities	<u>10,638,839</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	<u>877,385</u>
Total deferred inflows of resources	<u>877,385</u>
NET POSITION	
Net investment in capital assets	21,608,030
Restricted for:	
Capital projects	2,534,108
Public safety	409,226
Judicial	595,609
Records management and preservation	620,470
Transportation	7,004,916
Debt service	694,081
Culture and recreation:	
Expendable	72,265
Non-expendable	34,000
Unrestricted	<u>20,245,022</u>
Total net position	<u><u>\$ 53,817,727</u></u>

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

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COOKE COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Charges for	Operating	Capital Grants	Revenues and
		Services	Grants and	and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Primary government					
Governmental activities:					
General government	\$ 8,354,843	\$ 1,503,863	\$ 2,056,548	\$ 4,290	\$(4,790,142)
Health and safety	3,679,506	1,401,642	249,157	-	(2,028,707)
Education	116,524	-	-	-	(116,524)
Culture and recreation	554,570	-	8,667	-	(545,903)
Welfare	44,569	25	-	-	(44,544)
Judicial	10,398,455	905,358	210,514	-	(9,282,583)
Transportation	5,707,337	1,246,643	208,334	1,137,138	(3,115,222)
Interest on long-term debt	165,871	-	-	-	(165,871)
Total governmental activities	<u>29,021,675</u>	<u>5,057,531</u>	<u>2,733,220</u>	<u>1,141,428</u>	<u>(20,089,496)</u>
Total primary government	<u>\$ 29,021,675</u>	<u>\$ 5,057,531</u>	<u>\$ 2,733,220</u>	<u>\$ 1,141,428</u>	<u>(20,089,496)</u>
General revenues:					
Taxes:					
Property taxes					16,544,560
Sales taxes					3,139,629
Other taxes					62,863
Gain on sale of capital assets					144,333
Investment income					231,619
Miscellaneous					<u>203,205</u>
Total general revenues					20,326,209
Change in net position					<u>236,713</u>
Net position - beginning					<u>53,581,014</u>
Net position - ending					<u>\$ 53,817,727</u>

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

COOKE COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	General	Permanent Improvement	Road and Bridge #4	Other Governmental Funds	Total
ASSETS					
Cash and investments	\$ 19,057,074	\$ 2,537,712	\$ 1,432,728	\$ 7,937,203	\$ 30,964,717
Receivables, net					
Taxes	935,111	22,883	31,096	145,396	1,134,486
Accounts	459,714	-	3,310	10,979	474,003
Intergovernmental	173,765	1,654,047	888,703	373,409	3,089,924
Inventory	12,164	-	-	-	12,164
Prepaid items	8,953	-	-	575	9,528
Total assets	<u>20,646,781</u>	<u>4,214,642</u>	<u>2,355,837</u>	<u>8,467,562</u>	<u>35,684,822</u>
LIABILITIES					
Accounts payable	578,337	1,680,534	49,437	194,364	2,502,672
Accrued liabilities	204,366	-	8,598	25,971	238,935
Unearned revenue	8,806	-	-	3,000	11,806
Total liabilities	<u>791,509</u>	<u>1,680,534</u>	<u>58,035</u>	<u>223,335</u>	<u>2,753,413</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	341,270	13,293	26,592	112,198	493,353
Unavailable revenue - court fines	219,342	-	-	-	219,342
Unavailable revenue - ambulance	75,844	-	-	-	75,844
Unavailable revenue - grants	-	-	760,145	331,215	1,091,360
Total deferred inflows of resources	<u>636,456</u>	<u>13,293</u>	<u>786,737</u>	<u>443,413</u>	<u>1,879,899</u>
FUND BALANCES					
Nonspendable:					
Prepaid items and inventory	21,117	-	-	-	21,117
Library endowment	-	-	-	34,000	34,000
Restricted for:					
Capital projects	-	2,520,815	-	-	2,520,815
Public safety	-	-	-	409,226	409,226
Judicial	-	-	-	595,609	595,609
Records management and preservation	-	-	-	620,470	620,470
Transportation	-	-	1,511,065	5,387,509	6,898,574
Debt service	-	-	-	681,735	681,735
Culture and recreation	-	-	-	72,265	72,265
Assigned for:					
Capital projects	5,000,000	-	-	-	5,000,000
Subsequent year's budget	5,272,697	-	-	-	5,272,697
Unassigned	8,925,002	-	-	-	8,925,002
Total fund balances	<u>19,218,816</u>	<u>2,520,815</u>	<u>1,511,065</u>	<u>7,800,814</u>	<u>31,051,510</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 20,646,781</u>	<u>\$ 4,214,642</u>	<u>\$ 2,355,837</u>	<u>\$ 8,467,562</u>	<u>\$ 35,684,822</u>

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

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

Total fund balances - governmental funds balance sheet	\$ 31,051,510
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Taxes and other receivables that are not available to pay for current period expenditures and therefore are deferred in the governmental funds.	1,879,899
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet.	26,257,883
The net pension liability is annual pension cost related to future periods in the government-wide statements, but were considered a current use of resources in the fund statements. Therefore, this amount is reported as a liability in the statement of net position.	743,266
Interest payable on long-term does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.	(20,102)
Bonds payable, capital leases and OPEB liability are not reported as liabilities in the governmental fund balance sheet. This amount represents total noncurrent liabilities related to governmental activities.	(6,099,592)
Compensated absences are not reported as liabilities in the governmental fund balance sheet.	<u>4,863</u>
Net position of governmental activities	\$ <u>53,817,727</u>

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

	General	Permanent Improvement	Road and Bridge #4	Other Governmental Funds	Total Governmental
REVENUES					
Taxes					
Ad valorem taxes	\$ 11,545,786	\$ 607,442	\$ 941,758	\$ 3,458,664	\$ 16,553,650
Sales taxes	3,139,629	-	-	-	3,139,629
Other	62,863	-	-	-	62,863
Intergovernmental	713,279	1,805,541	479,268	930,034	3,928,122
License and permits	-	-	230,807	692,422	923,229
Fines and fees	3,166,127	-	71,368	588,587	3,826,082
Investment earnings	147,206	17,931	11,040	55,442	231,619
Miscellaneous	133,823	-	50,047	61,865	245,735
Total revenues	<u>18,908,713</u>	<u>2,430,914</u>	<u>1,784,288</u>	<u>5,787,014</u>	<u>28,910,929</u>
EXPENDITURES					
Current:					
General government	5,482,955	2,212,383	-	250,613	7,945,951
Health and safety	3,343,081	-	-	-	3,343,081
Education	115,667	-	-	-	115,667
Culture and recreation	525,506	-	-	17,463	542,969
Welfare	44,020	-	-	-	44,020
Judicial	9,565,604	-	-	161,370	9,726,974
Transportation	-	-	1,607,215	3,554,880	5,162,095
Capital outlay	470,511	-	114,824	306,210	891,545
Debt service:					
Principal	-	-	-	676,350	676,350
Interest and fiscal charges	-	-	-	161,355	161,355
Total expenditures	<u>19,547,344</u>	<u>2,212,383</u>	<u>1,722,039</u>	<u>5,128,241</u>	<u>28,610,007</u>
EXCESS (DEFICIENCY) OF OVER EXPENDITURES	<u>(638,631)</u>	<u>218,531</u>	<u>62,249</u>	<u>658,773</u>	<u>300,922</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	17,742	-	-	17,742
Transfers out	(17,742)	-	-	-	(17,742)
Insurance recovery	105,145	-	3,160	1,595	109,900
Proceeds from sale of assets	13,892	-	26,931	57,877	98,700
Total other financing sources and uses	<u>101,295</u>	<u>17,742</u>	<u>30,091</u>	<u>59,472</u>	<u>208,600</u>
NET CHANGE IN FUND BALANCES	<u>(537,336)</u>	<u>236,273</u>	<u>92,340</u>	<u>718,245</u>	<u>509,522</u>
FUND BALANCES, BEGINNING	<u>19,756,152</u>	<u>2,284,542</u>	<u>1,418,725</u>	<u>7,082,569</u>	<u>30,541,988</u>
FUND BALANCES, ENDING	<u>\$ 19,218,816</u>	<u>\$ 2,520,815</u>	<u>\$ 1,511,065</u>	<u>\$ 7,800,814</u>	<u>\$ 31,051,510</u>

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

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

Net change in fund balances - total governmental funds	\$ 509,522
Amounts reported for governmental activities in the Statement of Activities are different	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay in the governmental funds reported as capital asset additions in the government-wide statements.	870,440
Depreciation of capital assets is reported as an expense in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(1,558,709)
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	(64,267)
Compensated absences are accrued on the statement of net assets but do not require the use of current financial resources. The current period change in compensated absences is reported in the statement of activities. This is the current period net increase in compensated absences not reported as expenditures in governmental funds.	4,863
Accrued interest expense on long-term debt is reported in the statement of activities but not in the governmental funds as it does not require the use of current financial resources. This amount is the current period change in accrued interest expense.	2,494
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	676,350
Governmental funds report the effect of loss on refunding and premium from the sale of bonds when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	(7,010)
Some revenues reported in the governmental funds were previously reported in the statement of activities but are only recognized in the funds in the year financial resources are provided.	203,126
Some OPEB and pension costs are recognized in the period services are rendered in the statement of activities, and are recognized as expenditures in the fund statements when the current resources are used.	(400,096)
Change in net position of governmental activities	\$ <u>236,713</u>

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

COOKE COUNTY, TEXAS
STATEMENT OF FIDUCIARY FUNDS
SEPTEMBER 30, 2017

	Agency Fund
	<hr/>
ASSETS	
Cash and investments	\$ <u>1,912,574</u>
LIABILITIES	
Due to others	\$ <u><u>1,912,574</u></u>

COOKE COUNTY, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Cooke County is an independent governmental entity created under the laws of the State of Texas. The County is governed by an elected Commissioners' Court. The financial statements of the County include all funds and agencies over which the County exercises oversight responsibilities and accountability.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities* generally are supported by taxes and intergovernmental revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, licenses, 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. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

The County reports the following major governmental funds:

The ***General Fund*** is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The ***Permanent Fund*** is used to report resources that are legally restricted to the extent that only the earnings, and not the principal, may be used for the purposes that support County programs.

The ***Road & Bridge #4 Fund*** is reported by Commissioners' Precinct and is used to account for revenues and expenditures relating to road construction and maintenance. Revenues in these funds are derived from restricted property taxes.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for specific revenue sources that are legally restricted or committed to expenditures for specified purposes (other than for capital projects or debt service).

The ***Debt Service Fund*** is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Capital Projects Funds are used to account for resources that are accumulated for capital improvements.

The *Agency Fund* is used to account for assets held by the County on behalf of individuals and other governments. Examples include taxes, fines, bonds and restitution.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments between funds where the amounts are reasonably equivalent in value to the interfund services provided and used. Elimination of these charges would distort the direct costs and program revenues reported for the various programs concerned.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

Deposits and Investments

The County's cash and investments are considered to be cash on hand, demand deposits, time deposits, and amounts maintained in one or more of the investment pools authorized by the Public Funds Investment Act. Investments for the County are reported at fair value, except for the position in investment pools. The County's investment pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

TexPool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only imposed restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Receivables and Payables

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

All trade (fines and court costs, emergency medical services, and other) and property tax receivables are shown net of an allowance for uncollectibles. The County has contracted with a law firm to aggressively collect these delinquent property taxes. The County has also contracted with a law firm to collect fines and court costs.

Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g. roads, bridges, dams and similar items), are reported in the governmental activities column of the statement of net position. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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.

Capital assets are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	50
Equipment	3 - 10
Infrastructure	40

Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits.

All regular fulltime County employees accumulate vacation leave. An employee does not vest in vacation leave until the completion of one year of employment. Employees who have completed 12 months of employment are eligible for 40 hours of vacation leave. Vacation leave is accumulated at the following rates:

After 1 year	3.3 hours per month/40 hours per year
1 to 10 years	6.7 hours per month/80 hours per year
Over 10 years	10 hours per month/120 hours per year

The maximum vacation time that may accumulate is the amount the employee would earn in 18 months at the current rate of vacation accrual. Upon termination, an employee is paid for accumulated vacation leave.

In addition to vacation leave, County employees accumulate sick leave at the rate of 8 hours per month. Sick leave is vested only to the extent that such sick leave is actually used while employed. Employees are not paid for accumulated sick leave upon termination or retirement.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities. On new bond issues, bond premiums and discounts, as well as deferred gain or loss on refunding of debt, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Governmental fund financial statements report the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has the following items that qualify for reporting in this category:

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference in actuarial assumptions – This difference is deferred and amortized over the average remaining service life for all active, inactive, and retired members.
- Deferred charge on refunding - A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category:

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by Commissioners' Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the County Auditor.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

It is the goal of the County to achieve and maintain an unassigned General Fund balance equal to at least 25% of budgeted expenditures. In the event that the unassigned General Fund balance is less than the policy anticipates, the County shall plan to adjust budget resources in the subsequent fiscal years to restore the fund balance.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Use of Estimates

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The County adopts annual appropriated budgets for the General Fund, Special Revenue Funds and the Debt Service Fund on the modified accrual basis of accounting. Project length budgets are adopted for Capital Projects Funds and amended on an annual basis to reflect the uncompleted portion of the projects.

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

- a) During June, the County Judge submits to the Commissioners' Court a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Each fund is budgeted on an annual basis with no carryovers into the next year. If a fund has a balance at the end of the year, the balance is included in the computation of available cash for next year's budget.
- b) Public hearings are conducted to obtain taxpayer comments.
- c) Prior to October 1, the budget is legally enacted.

- d) The County Auditor is required to monitor the expenditures of the various departments. The budget is controlled on a departmental object class basis. Expenditures can be reallocated within a departmental object class at any time by Court order, but the budget must be formally amended to allow the original level of budgeted expenditures within a department to be exceeded. The Court must approve all amendments to the budget.

The Court approves budget amendments proposed by the County Judge throughout and immediately subsequent to the fiscal year. These amendments are routinely approved and the current year budgetary data presented includes all approved budget amendments. Budgetary amendments are integrated after the fiscal year-end due to the normal year-end closing procedures and adjustments that are discovered during that period. Budget amendments are necessary at that time to comply with Chapter 111, Local Government Code of the State of Texas, which states that funds may be spent only for items or categories of items that are included in the adopted budget. The County has chosen to adopt the budget at the department object class level, since this allows budgetary control, but is still meaningful to the Commissioners' Court and the citizens of the County. All annual appropriations lapse at the end of each fiscal year, in accordance with state law.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

State statutes authorize the County to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or (b) secured by obligations that are described by (1) – (4); and (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with a third party selected or approved the County, and placed through a primary government securities dealer.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities not exceed two years for all investment types.

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2017, the County's full deposit balance was collateralized with securities held by the pledging financial institution in the County's name or by FDIC insurance.

Credit Risk - State law and county policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The County's investments as of September 30, 2017, were rated as follows:

<u>Investment Type</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	AAAm	Standard & Poor's	37

B. Receivables

Receivables as of year-end for the County's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Funds</u>				<u>Total</u>
	<u>General</u>	<u>Permanent Improvement</u>	<u>Road and Bridge #4</u>	<u>Nonmajor Funds</u>	
Receivables:					
Taxes	\$ 989,278	\$ 26,465	\$ 39,310	\$ 160,934	\$ 1,215,987
Adjudicated fines	4,386,848	-	-	-	4,386,848
Ambulance	2,954,214	-	-	-	2,954,214
Accounts	43,405	-	3,310	10,979	57,694
Intergovernmental	<u>173,765</u>	<u>1,654,047</u>	<u>888,703</u>	<u>373,409</u>	<u>3,089,924</u>
Gross receivables	8,547,510	1,680,512	931,323	545,322	11,704,667
Less: allowance for uncollectibles	<u>(6,978,920)</u>	<u>(3,582)</u>	<u>(8,214)</u>	<u>(15,538)</u>	<u>(7,006,254)</u>
Total receivables, net	<u>\$ 1,568,590</u>	<u>\$ 1,676,930</u>	<u>\$ 923,109</u>	<u>\$ 529,784</u>	<u>\$ 4,698,413</u>

C. Property Taxes

Property subject to taxation consists of real property and certain personal property situated in the County. Certain properties of religious, educational and charitable organizations, including the federal government and the State of Texas, are exempt from taxation. Additionally, there are other exemptions in arriving at the total assessed valuation of property subject to County taxation. The valuations are subject to countywide revaluation every year. The effective tax rate is computed based upon the previous year's total assessed valuation.

Portions of the adopted tax rate are assessed and designated for specific purposes. These designated tax revenues are deposited into funds created for the accumulation and disbursement of these revenues. The following schedule details the components of the 2017 tax rate allocated to each fund:

Fund	Rate Per \$100
General fund	\$ 0.3508
Permanent improvement fund	0.0150
Road and bridge fund	0.1150
Farm to market and lateral road fund	0.0001
Interest and sinking fund	0.0189
	<u>\$ 0.49980</u>

Ad valorem taxes are levied prior to October 1 and are due and payable from October 1 of the year in which levied until January 31 of the following year without interest or penalty. Taxes become delinquent February 1 of each year and are subject to simple interest of 12% per annum, plus a 6% penalty for the first calendar month such taxes are delinquent, plus an additional 2 percent each month thereafter not to exceed 12%.

Taxes on real property attach as an enforceable lien as of January 1 and are a lien against such property until paid. The County may foreclose on real property upon which it has a lien for unpaid taxes. Delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title to the property. Any liens and subsequent suits against the taxpayer for payment of delinquent personal property taxes are barred unless instituted within four years from the time such taxes become delinquent. Unlike real property, the sale or transfer of most personal property does not require any evidence that taxes thereon are paid.

D. Capital Assets

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

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 396,623	\$ 18,352	\$ -	\$ 414,975
Total assets not being depreciated	<u>396,623</u>	<u>18,352</u>	<u>-</u>	<u>414,975</u>
Capital assets, being depreciated:				
Buildings and improvements	31,271,943	-	-	31,271,943
Infrastructure	2,170,289	-	-	2,170,289
Machinery and equipment	<u>12,429,229</u>	<u>852,088</u>	<u>(301,634)</u>	<u>12,979,683</u>
Total capital assets being depreciated	<u>45,871,461</u>	<u>852,088</u>	<u>(301,634)</u>	<u>46,421,915</u>
Less accumulated depreciation:				
Buildings and improvements	9,636,195	549,313	-	10,185,508
Infrastructure	535,767	54,257	-	590,024
Machinery and equipment	<u>9,085,703</u>	<u>955,139</u>	<u>(237,367)</u>	<u>9,803,475</u>
Total accumulated depreciation	<u>19,257,665</u>	<u>1,558,709</u>	<u>(237,367)</u>	<u>20,579,007</u>
Total capital assets being depreciated, net	<u>26,613,796</u>	<u>(706,621)</u>	<u>(64,267)</u>	<u>25,842,908</u>
Governmental activities capital assets, net	<u>\$ 27,010,419</u>	<u>\$ (688,269)</u>	<u>\$ (64,267)</u>	<u>\$ 26,257,883</u>

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

Governmental activities:	
General government	\$ 252,770
Health and safety	285,930
Culture and recreation	5,942
Judicial	515,250
Transportation	<u>498,817</u>
Total depreciation expense - governmental activities	<u>\$ 1,558,709</u>

E. Interfund Transfers

Transfers in	Transfers out	Amount
Permanent Improvement	General	\$ 17,742
		<u>\$ 17,742</u>

The Commissioners' Court approved these transfers as transfers of operational funds to cover planned expenditures.

F. Operating Leases

The County is committed under various leases for office equipment (i.e., copiers and postage machine). These leases are considered for accounting purposes to be operating leases. Operating lease expenditures for the year ended September 30, 2017, amounted to \$102,844. Future minimum lease payments for these leases are as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Lease Obligation</u>
2018	\$ 94,092
2019	30,011
2020	19,441
2021	<u>16,327</u>
Total	\$ <u>159,871</u>

G. Long-term Liabilities

Capital Leases

The County finances some equipment purchases through capital leases. Detailed information on outstanding capital leases is as follows:

<u>Fiscal Year Ending September 30,</u>	<u>Lease Obligation</u>
2018	\$ 62,904
2019	62,904
2020	<u>62,904</u>
Total minimum lease payments	188,712
Less: amount representing interest	<u>(10,061)</u>
Present value of minimum lease payments	\$ <u>178,651</u>

General Obligation Bonds

The County periodically issues general obligation bonds. Detailed information on outstanding general obligation bonds is as follows:

	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Due Within One Year</u>
\$6,810,000 General Obligation Refunding Bonds, Series 2012	06/20/2012	2.0% - 3.0%	\$ 4,890,000	\$ 635,000

The annual debt service requirements for general obligation bonds outstanding, as of September 30, 2017, are as follows:

Fiscal Year Ending September 30,	General Obligation Bonds		
	Principal	Interest	Total
2018	\$ 635,000	\$ 137,175	\$ 772,175
2019	655,000	117,825	772,825
2020	675,000	97,875	772,875
2021	700,000	77,250	777,250
2022	720,000	55,950	775,950
2023-2027	1,505,000	45,525	1,550,525
Total	<u>\$ 4,890,000</u>	<u>\$ 531,600</u>	<u>\$ 5,421,600</u>

Changes in Long-term Liabilities

The following is a summary of long-term debt activity for the fiscal year ended September 30, 2017:

Description	Amounts Outstanding September 30, 2016	Additions	Deletions	Amounts Outstanding September 30, 2017	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 5,510,000	\$ -	\$ 620,000	\$ 4,890,000	\$ 635,000
Capital lease	235,001	-	56,350	178,651	57,921
Premium	323,517	-	46,216	277,301	-
Total bonds payable	<u>6,068,518</u>	<u>-</u>	<u>722,566</u>	<u>5,345,952</u>	<u>692,921</u>
Compensated absences	329,556	592,316	597,179	324,693	64,939
Net pension liability	1,704,895	936,044	1,242,926	1,398,013	-
OPEB obligation	<u>676,677</u>	<u>202,888</u>	<u>82,899</u>	<u>796,666</u>	<u>-</u>
	<u>\$ 8,779,646</u>	<u>\$ 1,731,248</u>	<u>\$ 2,645,570</u>	<u>\$ 7,865,324</u>	<u>\$ 757,860</u>

Compensated absences, net pension liability, and the OPEB obligation are generally liquidated by the General Fund and special revenue funds.

IV. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2017, the County carried insurance through various commercial carriers, including the Texas Association of Counties, to cover all risks of losses. The County has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

B. Contingent Liabilities and Commitments

Litigation

The County may be contingently liable with respect to lawsuits and claims in the ordinary course of operations that, in the opinion of management, will not have a material adverse effect on the financial condition of the government.

The County participates in various federal grant programs, the principal of which are periodically subject to program compliance audits pursuant to the Single Audit Act. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County anticipates such amounts, if any will be immaterial.

C. Retirement Plan

Plan Description

The County participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tcdrs.org.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided

TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by 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. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	115
Inactive employees entitled to but not yet receiving benefits	142
Active employees	<u>244</u>
	<u><u>501</u></u>

Contributions. The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 8.88% and 8.38% in calendar years 2016 and 2017, respectively. The County's contributions to TCDRS for the year ended September 30, 2017, were \$1,984,933, and were \$300,000 greater than the required contributions.

Net Pension Liability. The County's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	2.5% per year
Investment rate of return	8.0%, net of pension plan investment expense, including inflation

Cost-of-living adjustments (“COLA”) for the County/District are considered to be substantively automatic. Therefore, an annual 100% CPI cost-of-living adjustment is included in the actuarial valuation. Each year, the County/District may elect an ad-hoc COLA for its retirees.

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

The actuarial assumptions that determined the total pension liability as of December 31, 2016, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except for mortality assumptions. Mortality assumptions were updated for the 2016 valuation to reflect projected improvements.

The long-term expected rate of return on pension plan investments is 8.0%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2017 information for a 7 to 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽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 Markets	MSCI World Ex USA (net)	10.00%	4.70%
International Equities - Emerging Markets	MSCI EM Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays Capital U.S. 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	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

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

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2017

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

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

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 34,054,167	\$ 32,349,271	\$ 1,704,896
Changes for the year:			
Service cost	1,510,381	-	1,510,381
Interest on total pension liability ⁽¹⁾	2,759,965	-	2,759,965
Effect of economic/demographic gains or losses	(314,435)	-	(314,435)
Refund of contributions	(74,802)	(74,802)	-
Benefit payments	(1,395,844)	(1,395,844)	-
Administrative expenses	-	(26,054)	26,054
Member contributions	-	743,298	(743,298)
Net investment income	-	2,393,641	(2,393,641)
Employer contributions	-	1,242,929	(1,242,929)
Other ⁽²⁾	-	(91,020)	91,020
Balance at 12/31/2016	<u>\$ 36,539,432</u>	<u>\$ 35,141,419</u>	<u>\$ 1,398,013</u>

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

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

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, 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 (7.1%) or 1-percentage-higher (9.1%) than the current rate:

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$ 41,456,423	\$ 36,539,432	\$ 32,485,676
Fiduciary net position	<u>35,141,420</u>	<u>35,141,419</u>	<u>35,141,420</u>
Net pension liability/(asset)	<u>\$ 6,315,003</u>	<u>\$ 1,398,013</u>	<u>\$ (2,655,744)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at www.tcdrs.org.

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

For the year ended September 30, 2017, the County recognized pension expense of \$1,503,882.

At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 877,385	\$ -
Changes in actuarial assumptions	-	220,349
Difference between projected and actual investment earnings	-	2,097,551
Contributions subsequent to the measurement date	-	700,764
Total	\$ 877,385	\$ 3,018,664

\$700,764 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2018	\$ 495,876
2019	495,876
2020	463,155
2021	(14,392)

D. Other Post Employment Benefits

Plan Description

The Retiree Health Program provides County retirees full retiree health care benefits. Members hired on or after January 1, 1998, are eligible at age 62 with 20 or more years of service. Members hired on or before December 31, 1997, are eligible at age 60 with 20 or more years of service or at age 55 with 25 or more years of service. Members who retire before meeting the eligibility requirements above are offered COBRA benefits. County coverage ceases when retiree becomes eligible for Medicare coverage. The County also offers dental coverage to retirees under the age of 65. Retirees who decide to opt-out of the health care plan will not be eligible to opt back in when coverage from another entity ceases.

Funding Policy

The County contributions to the Retiree Health Program consist of a pay-as-you-go monthly contribution rate. The County pays the full amount of the employee premiums. The retiree is responsible for paying any additional premium if electing to cover a spouse or dependent.

Annual OPEB Cost

The County's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual OPEB cost for the fiscal year ending September 30, 2017, is as follows:

Annual required contribution	\$ 202,189
Interest on OPEB obligation	27,067
Adjustment to ARC	(26,368)
Annual OPEB cost (expense) end of year	202,888
Net estimated employer contributions	(82,899)
Increase in net OPEB obligation	119,989
Net OPEB obligation (asset) - as of beginning of year	676,677
Net OPEB obligation (asset) - as of end of year	<u>\$ 796,666</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2017, and the two preceding fiscal years were as follows:

Accounting Year Ending	Annual OPEB Cost	Employer Amount Contributed	Percentage of APC Contributed	Net OPEB Obligation
09/30/2015	\$ 178,335	\$ 62,981	35.3%	\$ 565,473
09/30/2016	184,021	72,817	39.6%	676,677
09/30/2017	202,888	82,899	40.9%	796,666

Funding Status and Funding Progress

As of December 31, 2016, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2016	\$ -	\$ 1,996,357	\$ 1,996,357	- %	\$ 10,618,539	18.80%

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented immediately following the notes to the financial statements as required supplementary information presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the type of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, actuarial valuations use actuarial methods and assumptions that include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The ARC for the current year was determined using the revised December 31, 2016 actuarial valuation. The methods and assumptions used in this valuation are as follows:

Inflation rate	2.50% per annum
Investment rate of return	4.00%, net of expenses
Actuarial cost method	Individual Entry Age Normal Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Salary growth	3.00% per annum
Health care cost trend rate	Initial rate of 7.50% declining to an ultimate rate of 5.75% after 8 years

E. Tax Abatements

The County enters into economic development agreements designed to promote development and redevelopment within the County, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the County. This program reduces the assessed property values as authorized under Chapter 381 of the Texas Local Government Code and Chapter 312 of the Texas Tax Code.

The County has entered into agreements that reduce property taxes. Agreements for a reduction of taxable property values on incremental values call for a reduction of 50% to 70% for 5 to 10 years. Each agreement requires a developer to maintain a minimum assessed valuation and/or minimum employment requirements. For the fiscal year ending 2017, the County rebated property taxes of \$1,090,415.

F. New Accounting Principles

Significant new accounting standards not yet implemented by the County include the following:

State No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – This statement changes the focus of accounting of postemployment benefits other than pensions from whether an entity is responsible for funding the benefits over time to a point-in-time liability that is reflected on the employer's financial statements for any actuarially unfunded portion of benefits earned to date. This statement will become effective for the County in fiscal year 2018.

Statement No. 84, *Fiduciary Activities* – This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement will become effective for the County in fiscal year 2020.

Statement No. 87, *Leases* – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for the County in fiscal year 2021.

**REQUIRED
SUPPLEMENTARY INFORMATION**

COOKE COUNTY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Ad valorem	\$ 11,810,865	\$ 11,672,554	\$ 11,545,786	\$(126,768)
Sales	3,000,000	3,000,000	3,139,629	139,629
Other	55,000	55,000	62,863	7,863
Intergovernmental	347,268	507,602	713,279	205,677
Fines and fees	2,974,900	2,974,900	3,166,127	191,227
Investment earnings	75,000	75,000	147,206	72,206
Miscellaneous	40,900	40,900	133,823	92,923
Total revenues	<u>18,303,933</u>	<u>18,325,956</u>	<u>18,908,713</u>	<u>582,757</u>
EXPENDITURES				
Current:				
General government:				
Courthouse	799,200	596,144	504,485	91,659
Auditor	387,353	387,353	375,660	11,693
Tax assessor	431,853	431,853	421,322	10,531
County clerk	234,966	234,966	226,051	8,915
Treasurer	93,619	93,620	91,021	2,599
Commissioners' office	2,187	2,187	762	1,425
Human resources	90,872	90,872	87,575	3,297
Election expense	58,200	58,200	46,767	11,433
Court appointed attorneys	485,000	485,000	450,574	34,426
Technology	496,706	496,706	399,723	96,983
Tax appraisal district	355,000	493,311	492,010	1,301
Lake Ray Roberts	1,000	1,000	-	1,000
Other	3,691,200	3,548,942	2,387,005	1,161,937
Total general government	<u>7,127,156</u>	<u>6,920,154</u>	<u>5,482,955</u>	<u>1,437,199</u>
Health and safety:				
Environmental health	74,561	74,561	68,694	5,867
Emergency management	108,700	256,595	217,742	38,853
Emergency medical services	2,996,088	3,089,917	2,939,997	149,920
Fire marshal	114,461	121,789	116,648	5,141
Total health and safety	<u>3,293,810</u>	<u>3,542,862</u>	<u>3,343,081</u>	<u>199,781</u>
Education:				
County extension	120,277	120,277	115,667	4,610
Total education	<u>120,277</u>	<u>120,277</u>	<u>115,667</u>	<u>4,610</u>
Culture and recreation:				
Library	366,286	379,736	357,756	21,980
Social services	168,750	168,750	167,750	1,000
Total culture and recreation	<u>535,036</u>	<u>548,486</u>	<u>525,506</u>	<u>22,980</u>
Welfare:				
Child welfare	19,000	19,000	10,718	8,282
Veterans' service	39,980	39,980	33,302	6,678
Total welfare	<u>58,980</u>	<u>58,980</u>	<u>44,020</u>	<u>14,960</u>

COOKE COUNTY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (Continued)				
Current:				
Judicial:				
County judge	\$ 159,147	\$ 159,147	\$ 150,042	\$ 9,105
Sheriff	3,094,596	3,149,709	2,971,423	178,286
Jail operations	3,428,107	3,567,921	3,252,873	315,048
County attorney	579,471	579,472	568,755	10,717
Justice of the peace, 1	237,231	237,232	224,783	12,449
Justice of the peace, 4	193,238	197,913	196,017	1,896
Highway patrol	269,925	270,039	250,682	19,357
District judge	238,900	238,900	230,542	8,358
District attorney	555,581	555,580	518,955	36,625
Jury	75,300	75,300	23,391	51,909
Constable, precinct 1	60,323	60,924	55,519	5,405
Constable, precinct 4	66,313	67,414	58,842	8,572
District clerk	257,144	257,144	243,265	13,879
County court-at-law	359,547	365,468	354,649	10,819
County court-at-law clerk's office	181,665	181,665	180,676	989
Adult probation	-	5,907	5,907	-
Juvenile probation	304,682	309,333	208,460	100,873
Compliance officer	78,990	78,990	69,864	9,126
Game warden	1,000	1,000	959	41
Total judicial	10,141,160	10,359,058	9,565,604	793,454
Capital outlay	1,943,360	2,069,043	470,511	1,598,532
Total expenditures	23,219,779	23,618,860	19,547,344	4,071,516
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	(4,915,846)	(5,292,904)	(638,631)	4,654,273
OTHER FINANCING SOURCES (USES)				
Insurance recovery	-	(100,429)	105,145	(205,574)
Proceeds from sale of capital assets	-	-	13,892	13,892
Total other financing sources (uses)	-	(100,429)	101,295	201,724
NET CHANGE IN FUND BALANCES	(4,915,846)	(5,393,333)	(537,336)	4,855,997
FUND BALANCES, BEGINNING	19,756,152	19,756,152	19,756,152	-
FUND BALANCES, ENDING	\$ 14,840,306	\$ 14,362,819	\$ 19,218,816	\$ 4,855,997

COOKE COUNTY, TEXAS

ROAD AND BRIDGE #4

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes:				
Ad valorem	\$ 944,539	\$ 944,539	\$ 941,758	\$(2,781)
Intergovernmental	13,500	65,198	479,268	414,070
License and permits	235,000	235,000	230,807	(4,193)
Fines and fees	72,000	72,000	71,368	(632)
Investment earnings	5,000	5,000	11,040	6,040
Miscellaneous	500	500	50,047	49,547
Total revenues	<u>1,270,539</u>	<u>1,322,237</u>	<u>1,784,288</u>	<u>462,051</u>
EXPENDITURES				
Current:				
Transportation	2,005,508	2,057,207	1,607,215	449,992
Capital outlay	<u>155,000</u>	<u>155,000</u>	<u>114,824</u>	<u>40,176</u>
Total expenditures	<u>2,160,508</u>	<u>2,212,207</u>	<u>1,722,039</u>	<u>490,168</u>
EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENDITURES	<u>(889,969)</u>	<u>(889,970)</u>	<u>62,249</u>	<u>952,219</u>
OTHER FINANCING SOURCES (USES)				
Insurance recovery	-	-	3,160	3,160
Proceeds from sale of assets	<u>-</u>	<u>-</u>	<u>26,931</u>	<u>26,931</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>30,091</u>	<u>30,091</u>
NET CHANGE IN FUND BALANCES	<u>(889,969)</u>	<u>(889,970)</u>	<u>92,340</u>	<u>797,630</u>
FUND BALANCES, BEGINNING	<u>1,418,725</u>	<u>1,418,725</u>	<u>1,418,725</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 528,756</u>	<u>\$ 528,755</u>	<u>\$ 1,511,065</u>	<u>\$ 982,310</u>

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

Plan Year Ended December 31	2016	2015	2014
Total Pension Liability			
Service Cost	\$ 1,510,381	\$ 1,327,963	\$ 1,264,645
Interest total pension liability	2,759,965	2,615,683	2,448,024
Effect of plan changes	-	(283,822)	-
Effect of assumption changes or inputs	-	367,248	-
Effect of economic/demographic (gains) or losses	(314,435)	(858,121)	(277,412)
Benefit payments/refunds of contributions	(1,470,646)	(1,403,096)	(1,470,268)
Net change in total pension liability	2,485,265	1,765,855	1,964,989
Total pension liability - beginning	<u>34,054,167</u>	<u>32,288,312</u>	<u>30,323,324</u>
Total pension liability - ending (a)	<u>\$ 36,539,432</u>	<u>\$ 34,054,167</u>	<u>\$ 32,288,313</u>
Plan Fiduciary Net Position			
Employer contributions	\$ 1,242,929	\$ 1,215,858	\$ 1,272,234
Member contributions	743,298	721,957	686,818
Investment income net of investment expenses	2,393,641	(236,516)	2,008,728
Benefit payments/refunds of contributions	(1,470,646)	(1,403,096)	(1,470,268)
Administrative expenses	(26,054)	(23,215)	(23,871)
Other	(91,020)	(13,221)	(210,451)
Net change in plan fiduciary net position	2,792,148	261,767	2,263,190
Plan fiduciary net position - beginning	<u>32,349,271</u>	<u>32,087,504</u>	<u>29,824,315</u>
Plan fiduciary net position - ending (b)	<u>\$ 35,141,419</u>	<u>\$ 32,349,271</u>	<u>\$ 32,087,505</u>
Net pension liability - ending (a) - (b)	<u>\$ 1,398,013</u>	<u>\$ 1,704,896</u>	<u>\$ 200,808</u>
Fiduciary net position as a percentage of total pension liability	96.17%	94.99%	99.38%
Pensionable covered payroll	\$ 10,618,539	\$ 10,313,672	\$ 9,771,284
Net pension liability as a percentage of covered payroll	13.17%	16.53%	2.06%

Information for the previous 7 years is not available. GASB 68 was implemented in fiscal year 2015.

COOKE COUNTY, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2017

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 956,467	\$ 1,606,467	\$(650,000)	\$ 9,630,847	16.7%
2015	937,148	1,237,148	(300,000)	9,771,284	12.7%
2016	968,815	1,268,815	(300,000)	10,910,078	11.6%
2017	923,773	1,223,773	(300,000)	10,873,705	11.3%

Information for the previous 6 years is not available. GASB 68 was implemented in fiscal year 2015.

COOKE COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2017

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<u>Methods and assumptions used to determine contributions rates:</u>	
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	12.3 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	8.0%, net of investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule	No changes in plan provisions are reflected in the Schedule of Contributions.

COOKE COUNTY, TEXAS

RETIREE HEALTH PROGRAM

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2012	\$ -	\$ 1,397,406	\$ 1,397,406	- %	9,014,043	15.50%
12/31/2014	-	1,631,071	1,631,071	- %	9,771,284	16.69%
12/31/2016	-	1,996,357	1,996,357	- %	10,618,539	18.80%

COMBINING STATEMENTS

COOKE COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	Special Revenue			
	Jail Commissary	Courthouse Security	Records Management	Records Preservation
ASSETS				
Cash and investments	\$ 114,143	\$ 284,053	\$ 368,372	\$ 136,532
Receivables (net of allowances for uncollectibles):				
Taxes	-	-	-	-
Accounts	1,889	-	-	-
Intergovernmental	-	-	-	-
Prepaid items	-	-	-	-
 Total assets	<u>116,032</u>	<u>284,053</u>	<u>368,372</u>	<u>136,532</u>
LIABILITIES				
Accounts payable	-	2,729	1,941	-
Accrued liabilities	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>2,729</u>	<u>1,941</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - grants	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Library endowment	-	-	-	-
Restricted for:				
Public safety	116,032	-	-	-
Judicial	-	281,324	-	-
Records management and preservation	-	-	366,431	136,532
Transportation	-	-	-	-
Debt service	-	-	-	-
Culture and recreation	-	-	-	-
Total fund balances	<u>116,032</u>	<u>281,324</u>	<u>366,431</u>	<u>136,532</u>
 Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 116,032</u>	<u>\$ 284,053</u>	<u>\$ 368,372</u>	<u>\$ 136,532</u>

Special Revenue						
Law Library	Law Enforcement Education	Farm to Market and Lateral Road	Justice of the Peace Technology	Check Collecting	Cooke County Historical	Juvenile Probation Diversion
\$ 136,464	\$ 16,557	\$ 818,216	\$ 33,712	\$ 6,367	\$ 4,170	\$ 11,899
-	-	128	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	575	-	-	-	-	-
136,464	17,132	818,344	33,712	6,367	4,170	11,899
449	-	-	387	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
449	-	-	387	-	-	-
-	-	98	-	-	-	-
-	-	-	-	-	-	-
-	-	98	-	-	-	-
-	-	-	-	-	-	-
-	17,132	-	-	-	-	-
136,015	-	-	33,325	6,367	-	11,899
-	-	-	-	-	-	-
-	-	818,246	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	4,170	-
136,015	17,132	818,246	33,325	6,367	4,170	11,899
\$ 136,464	\$ 17,132	\$ 818,344	\$ 33,712	\$ 6,367	\$ 4,170	\$ 11,899

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

	Special Revenue			
	Library	District Attorney Drug Enforcement	Seizure Law Enforcement	Sheriff Drug Enforcement
ASSETS				
Cash and investments	\$ 67,701	\$ 104,732	\$ 26,743	\$ 143,018
Receivables (net of allowances for uncollectibles)				
Taxes	-	-	-	-
Accounts	93	-	-	-
Intergovernmental	587	-	-	-
Prepaid items	-	-	-	-
Total assets	<u>68,381</u>	<u>104,732</u>	<u>26,743</u>	<u>143,018</u>
LIABILITIES				
Accounts payable	651	2,586	-	-
Accrued liabilities	-	-	-	-
Unearned revenue	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,651</u>	<u>2,586</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - grants	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Library endowment	-	-	-	-
Restricted for:				
Public safety	-	102,146	26,743	143,018
Judicial	-	-	-	-
Records management and preservation	-	-	-	-
Transportation	-	-	-	-
Debt service	-	-	-	-
Culture and recreation	<u>64,730</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>64,730</u>	<u>102,146</u>	<u>26,743</u>	<u>143,018</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 68,381</u>	<u>\$ 104,732</u>	<u>\$ 26,743</u>	<u>\$ 143,018</u>

Special Revenue					
Road and Bridge #1	Road and Bridge #2	Road and Bridge #3	Records Archive	Juvenile Probation IV-E	Court Reporter Fund
\$ 2,332,043	\$ 989,634	\$ 1,360,658	\$ 137,058	\$ 7,679	\$ 45,600
34,693	34,705	38,303	-	-	-
2,818	2,373	3,655	-	-	-
13,869	13,869	345,084	-	-	-
-	-	-	-	-	-
2,383,423	1,040,581	1,747,700	137,058	7,679	45,600
80,427	18,282	67,197	19,551	-	146
7,604	8,833	9,231	-	-	-
-	-	-	-	-	-
88,031	27,115	76,428	19,551	-	146
26,563	26,562	26,527	-	-	-
-	-	331,215	-	-	-
26,563	26,562	357,742	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	7,679	45,454
2,268,829	986,904	1,313,530	117,507	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,268,829	986,904	1,313,530	117,507	7,679	45,454
\$ 2,383,423	\$ 1,040,581	\$ 1,747,700	\$ 137,058	\$ 7,679	\$ 45,600

COOKE COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	Special Revenue			
	District Clerk Archive	Pretrial Diversion	District Court Preservation	County/ District Clerk Technology
ASSETS				
Cash and investments	\$ 26,799	\$ 9,874	\$ 34,307	\$ 2,887
Receivables (net of allowances for uncollectibles)				
Taxes	-	-	-	-
Accounts	-	-	-	-
Intergovernmental	-	-	-	-
Prepaid items	-	-	-	-
 Total assets	<u>26,799</u>	<u>9,874</u>	<u>34,307</u>	<u>2,887</u>
LIABILITIES				
Accounts payable	-	-	18	-
Accrued liabilities	-	-	303	-
Unearned revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>321</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - grants	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable:				
Library endowment	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Judicial	26,799	9,874	33,986	2,887
Records management and preservation	-	-	-	-
Transportation	-	-	-	-
Debt service	-	-	-	-
Culture and recreation	-	-	-	-
Total fund balances	<u>26,799</u>	<u>9,874</u>	<u>33,986</u>	<u>2,887</u>
 Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,799</u>	<u>\$ 9,874</u>	<u>\$ 34,307</u>	<u>\$ 2,887</u>

<u>Special Revenue</u>		<u>Debt Service</u>	<u>Permanent</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Child Abuse Prevention</u>	<u>Contract Elections</u>	<u>Interest and Sinking</u>	<u>Library Permanent</u>	
\$ 299	\$ 3,856	\$ 676,616	\$ 37,214	\$ 7,937,203
-	-	37,567	-	145,396
-	-	-	151	10,979
-	-	-	-	373,409
-	-	-	-	575
<u>299</u>	<u>3,856</u>	<u>714,183</u>	<u>37,365</u>	<u>8,467,562</u>
-	-	-	-	194,364
-	-	-	-	25,971
-	-	-	-	3,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>223,335</u>
-	-	32,448	-	112,198
-	-	-	-	331,215
<u>-</u>	<u>-</u>	<u>32,448</u>	<u>-</u>	<u>443,413</u>
-	-	-	34,000	34,000
299	3,856	-	-	409,226
-	-	-	-	595,609
-	-	-	-	620,470
-	-	-	-	5,387,509
-	-	681,735	-	681,735
-	-	-	3,365	72,265
<u>299</u>	<u>3,856</u>	<u>681,735</u>	<u>37,365</u>	<u>7,800,814</u>
<u>\$ 299</u>	<u>\$ 3,856</u>	<u>\$ 714,183</u>	<u>\$ 37,365</u>	<u>\$ 8,467,562</u>

COOKE COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue			
	Jail Commissary	Courthouse Security	Records Management	Records Preservation
REVENUES				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and permits	-	-	-	-
Fines and fees	23,654	29,433	27,639	90,249
Investment earnings	746	2,031	2,693	1,329
Miscellaneous	-	-	-	-
Total revenues	<u>24,400</u>	<u>31,464</u>	<u>30,332</u>	<u>91,578</u>
EXPENDITURES				
Current:				
General government	-	-	12,718	145,564
Culture and recreation	-	-	-	-
Judicial	9,121	11,489	-	-
Transportation	-	-	-	-
Capital outlay	-	-	6,865	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>9,121</u>	<u>11,489</u>	<u>19,583</u>	<u>145,564</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>15,279</u>	<u>19,975</u>	<u>10,749</u>	<u>(53,986)</u>
OTHER FINANCING SOURCES (USES)				
Insurance recovery	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	15,279	19,975	10,749	(53,986)
FUND BALANCES, BEGINNING	<u>100,753</u>	<u>261,349</u>	<u>355,682</u>	<u>190,518</u>
FUND BALANCES, ENDING	<u>\$ 116,032</u>	<u>\$ 281,324</u>	<u>\$ 366,431</u>	<u>\$ 136,532</u>

Special Revenue

Law Library	Law Enforcement Education	Farm to Market and Lateral Road	Justice of the Peace Technology	Check Collecting	Cooke County Historical	Juvenile Probation Diversion
\$ -	\$ -	\$ 3,360	\$ -	\$ -	\$ -	\$ -
-	7,153	3,641	-	-	-	-
-	-	-	-	-	-	-
16,380	-	-	14,303	1,674	-	-
928	111	5,661	215	-	29	76
-	-	-	-	-	65	2,119
<u>17,308</u>	<u>7,264</u>	<u>12,662</u>	<u>14,518</u>	<u>1,674</u>	<u>94</u>	<u>2,195</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
5,733	4,437	-	10,325	2,812	-	-
-	-	70	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>5,733</u>	<u>4,437</u>	<u>70</u>	<u>10,325</u>	<u>2,812</u>	<u>-</u>	<u>-</u>
<u>11,575</u>	<u>2,827</u>	<u>12,592</u>	<u>4,193</u>	<u>(1,138)</u>	<u>94</u>	<u>2,195</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,575	2,827	12,592	4,193	(1,138)	94	2,195
<u>124,440</u>	<u>14,305</u>	<u>805,654</u>	<u>29,132</u>	<u>7,505</u>	<u>4,076</u>	<u>9,704</u>
<u>\$ 136,015</u>	<u>\$ 17,132</u>	<u>\$ 818,246</u>	<u>\$ 33,325</u>	<u>\$ 6,367</u>	<u>\$ 4,170</u>	<u>\$ 11,899</u>

COOKE COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue			
		District		
		Attorney	Seizure	Sheriff
		Drug	Law	Drug
	Library	Enforcement	Enforcement	Enforcement
REVENUES				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	5,259	-	-	48,696
Licenses and permits	-	-	-	-
Fines and fees	-	12,902	32,616	17,973
Investment earnings	449	757	-	604
Miscellaneous	21,265	-	-	-
Total revenues	<u>26,973</u>	<u>13,659</u>	<u>32,616</u>	<u>67,273</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Culture and recreation	16,349	-	-	-
Judicial	-	26,210	55,562	22,418
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>16,349</u>	<u>26,210</u>	<u>55,562</u>	<u>22,418</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>10,624</u>	<u>(12,551)</u>	<u>(22,946)</u>	<u>44,855</u>
OTHER FINANCING SOURCES (USES)				
Insurance recovery	-	-	-	-
Proceeds from sale of assets	-	-	-	46,186
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,186</u>
NET CHANGE IN FUND BALANCES	10,624	(12,551)	(22,946)	91,041
FUND BALANCES, BEGINNING	<u>54,106</u>	<u>114,697</u>	<u>49,689</u>	<u>51,977</u>
FUND BALANCES, ENDING	<u>\$ 64,730</u>	<u>\$ 102,146</u>	<u>\$ 26,743</u>	<u>\$ 143,018</u>

Special Revenue

Road and Bridge #1	Road and Bridge #2	Road and Bridge #3	Records Archive	Juvenile Probation IV-E	Court Reporter Fund
\$ 941,744	\$ 941,758	\$ 941,758	\$ -	\$ -	\$ -
572,150	160,243	128,938	-	-	-
230,808	230,807	230,807	-	-	-
71,369	71,369	71,368	84,090	-	9,015
13,865	8,124	10,313	855	73	312
37,048	1,368	-	-	-	-
<u>1,866,984</u>	<u>1,413,669</u>	<u>1,383,184</u>	<u>84,945</u>	<u>73</u>	<u>9,327</u>
-	-	-	76,394	-	-
-	-	-	-	-	-
-	-	-	-	6,400	6,863
1,137,484	1,110,400	1,306,926	-	-	-
116,857	114,616	67,872	-	-	-
56,350	-	-	-	-	-
6,554	-	-	-	-	-
<u>1,317,245</u>	<u>1,225,016</u>	<u>1,374,798</u>	<u>76,394</u>	<u>6,400</u>	<u>6,863</u>
<u>549,739</u>	<u>188,653</u>	<u>8,386</u>	<u>8,551</u>	<u>(6,327)</u>	<u>2,464</u>
-	-	1,595	-	-	-
9,626	611	1,454	-	-	-
<u>9,626</u>	<u>611</u>	<u>3,049</u>	<u>-</u>	<u>-</u>	<u>-</u>
559,365	189,264	11,435	8,551	(6,327)	2,464
<u>1,709,464</u>	<u>797,640</u>	<u>1,302,095</u>	<u>108,956</u>	<u>14,006</u>	<u>42,990</u>
<u>\$ 2,268,829</u>	<u>\$ 986,904</u>	<u>\$ 1,313,530</u>	<u>\$ 117,507</u>	<u>\$ 7,679</u>	<u>\$ 45,454</u>

COOKE COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue			
	District Clerk Archive	Pretrial Diversion	District Court Preservation	County/ District Clerk Technology
REVENUES				
Ad valorem taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	1,220	-	-	-
Licenses and permits	-	-	-	-
Fines and fees	4,640	1,020	6,025	2,843
Investment earnings	173	-	251	38
Miscellaneous	-	-	-	-
Total revenues	<u>6,033</u>	<u>1,020</u>	<u>6,276</u>	<u>2,881</u>
EXPENDITURES				
Current:				
General government	1,862	-	6,518	7,557
Culture and recreation	-	-	-	-
Judicial	-	-	-	-
Transportation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,862</u>	<u>-</u>	<u>6,518</u>	<u>7,557</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>4,171</u>	<u>1,020</u>	<u>(242)</u>	<u>(4,676)</u>
OTHER FINANCING SOURCES (USES)				
Insurance recovery	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	4,171	1,020	(242)	(4,676)
FUND BALANCES, BEGINNING	<u>22,628</u>	<u>8,854</u>	<u>34,228</u>	<u>7,563</u>
FUND BALANCES, ENDING	<u>\$ 26,799</u>	<u>\$ 9,874</u>	<u>\$ 33,986</u>	<u>\$ 2,887</u>

Special Revenue		Debt Service	Permanent	Total Nonmajor Governmental Funds
Child Abuse Prevention	Contract Elections	Interest and Sinking	Library Permanent	
\$ -	\$ -	\$ 630,044	\$ -	\$ 3,458,664
-	-	2,734	-	930,034
-	-	-	-	692,422
25	-	-	-	588,587
2	23	5,476	308	55,442
-	-	-	-	61,865
<u>27</u>	<u>23</u>	<u>638,254</u>	<u>308</u>	<u>5,787,014</u>
-	-	-	-	250,613
-	-	-	1,114	17,463
-	-	-	-	161,370
-	-	-	-	3,554,880
-	-	-	-	306,210
-	-	620,000	-	676,350
-	-	154,801	-	161,355
-	-	774,801	1,114	5,128,241
<u>27</u>	<u>23</u>	<u>(136,547)</u>	<u>(806)</u>	<u>658,773</u>
-	-	-	-	1,595
-	-	-	-	57,877
-	-	-	-	59,472
27	23	(136,547)	(806)	718,245
<u>272</u>	<u>3,833</u>	<u>818,282</u>	<u>38,171</u>	<u>7,082,569</u>
\$ <u>299</u>	\$ <u>3,856</u>	\$ <u>681,735</u>	\$ <u>37,365</u>	\$ <u>7,800,814</u>

COOKE COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY FUNDS

SEPTEMBER 30, 2017

	County Clerk	District Clerk	Tax-Assessor Collector
ASSETS			
Cash and investments	\$ <u>295,350</u>	\$ <u>645,884</u>	\$ <u>324,900</u>
Total assets	<u>295,350</u>	<u>645,884</u>	<u>324,900</u>
LIABILITIES			
Deposits held for others	<u>295,350</u>	<u>645,884</u>	<u>324,900</u>
Total liabilities	\$ <u><u>295,350</u></u>	\$ <u><u>645,884</u></u>	\$ <u><u>324,900</u></u>

<u>Sheriff</u>	<u>County Attorney</u>	<u>Adult Probations</u>	<u>Juvenile Probations</u>	<u>Total Fiduciary Funds</u>
\$ <u>19,363</u>	\$ <u>19,086</u>	\$ <u>590,702</u>	\$ <u>17,289</u>	\$ <u>1,912,574</u>
<u>19,363</u>	<u>19,086</u>	<u>590,702</u>	<u>17,289</u>	<u>1,912,574</u>
<u>19,363</u>	<u>19,086</u>	<u>590,702</u>	<u>17,289</u>	<u>1,912,574</u>
\$ <u><u>19,363</u></u>	\$ <u><u>19,086</u></u>	\$ <u><u>590,702</u></u>	\$ <u><u>17,289</u></u>	\$ <u><u>1,912,574</u></u>

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COOKE COUNTY, TEXAS

TAX RATE INFORMATION

Last Ten Fiscal Years

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General fund	\$ 0.3177	\$ 0.2949	\$ 0.2987	\$ 0.3096	\$ 0.3263	\$ 0.3115	\$ 0.3344	\$ 0.3262	\$ 0.3502	\$ 0.3508
Road and bridge fund	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1050	0.1150	0.1150
Permanent improvement	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150	0.0150
Interest and sinking	<u>0.0390</u>	<u>0.0350</u>	<u>0.0312</u>	<u>0.0327</u>	<u>0.0206</u>	<u>0.0204</u>	<u>0.0205</u>	<u>0.0274</u>	<u>0.0195</u>	<u>0.0189</u>
Subtotal	<u>0.4767</u>	<u>0.4499</u>	<u>0.4499</u>	<u>0.4623</u>	<u>0.4669</u>	<u>0.4519</u>	<u>0.4749</u>	<u>0.4736</u>	<u>0.4997</u>	<u>0.4997</u>
FM and lateral road	<u>0.0001</u>	<u>0.0001</u>	<u>0.0001</u>	<u>0.0001</u>	<u>0.0001</u>	<u>0.0001</u>	<u>0.0001</u>	<u>0.0001</u>	<u>0.0001</u>	<u>0.0001</u>
Total Tax Rate	<u>\$ 0.4768</u>	<u>\$ 0.4500</u>	<u>\$ 0.4500</u>	<u>\$ 0.4624</u>	<u>\$ 0.4670</u>	<u>\$ 0.4520</u>	<u>\$ 0.4750</u>	<u>\$ 0.4737</u>	<u>\$ 0.4998</u>	<u>\$ 0.4998</u>

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SINGLE AUDIT SECTION

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PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Honorable County Judge
and Commissioners' Court
Cooke 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 Cooke 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, and have issued our report thereon dated June 4, 2018.

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 4, 2018



PATILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Honorable County Judge
and County Commissioners
Cooke County, Texas

Report on Compliance for Each Major Federal Program

We have audited Cooke County, Texas' ("the County") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2017. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 4, 2018

COOKE COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures	Pass-through Expenditures
<u>U. S. Department of Agriculture</u>				
Passed through Texas Soil & Water Conservation Board:				
Emergency Watershed Protection Program	10.927	EWP-FED-59046	\$ 106,920	\$ -
Emergency Watershed Protection Program	10.927	EWP-FED-59055	1,256,238	-
Total Passed through Texas Soil & Water Conservation Board			1,363,158	-
Total U. S. Department of Agriculture			1,363,158	-
<u>U. S. Department of the Interior</u>				
Direct Program:				
Payment in Lieu of Taxes	15.226	PL 110-343	72,794	-
Total Direct Program			72,794	-
Total U. S. Department of the Interior			72,794	-
<u>U. S. General Services Administration</u>				
Passed through Texas Facilities Commission:				
Donation of Federal Surplus Personal Property	39.003	FY17	39,437	-
Total Passed through Texas Facilities Commission			39,437	-
Total U.S. General Services Administration			39,437	-
<u>U.S. Institute of Museum and Library Services</u>				
Passed through Texas State Library and Archives Commission				
Grants to States	45.310	LS-00-15-0044-15	587	-
Total Passed through Texas State Library and Archives Commission			587	-
Total U.S. Institute of Museum and Library Services			587	-
<u>U. S. Department of Health and Human Services Centers for Medicare and Medicaid Services</u>				
Passed through Texas Health and Human Services Commission:				
Medical Assistance Program-Ambulance Service Cost Settlements	93.778	1X184PFEMS	190,381	-
Total Passed through Texas Health and Human Services Commission			190,381	-
Total U.S. Department of Health and Human Services Centers for Medicare and Medicaid Services			190,381	-
<u>U. S. Department of Homeland Security</u>				
Passed through Texas Department of Public Safety:				
Disaster Grants - Public Assistance	97.036	DR-4223-TX	1,266,261	-
Disaster Grants - Public Assistance	97.036	EMT-2016-PC-0002	20,000	-
Disaster Grants - Public Assistance	97.036	EMTF 17-0021	35,648	-
Hazard Mitigation Grant	97.039	DR-1999-003	91,894	-
Total Passed through Texas Department of Public Safety			1,413,803	-
Passed through Texoma Council of Governments:				
Homeland Security Grant Program	97.067	FY16 HSGP	25,865	-
Total Passed through Texoma Council of Governments			25,865	-
Total U.S. Department of Homeland Security			1,439,668	-
Total Expenditures of Federal Awards			\$ 3,106,025	\$ -

COOKE COUNTY, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

SEPTEMBER 30, 2017

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Cooke County, Texas, for the year ended September 30, 2017. The County's reporting entity is defined in Note 1 to the County's financial statements. Federal financial assistance received directly from federal agencies and other agencies are included in the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the County's financial statements.

3. INDIRECT COSTS

The County has elected not to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance.

COOKE COUNTY, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? None

Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements
noted?

None

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? None

Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance
for major programs

Unmodified

Any audit findings disclosed that are required
to be reported in accordance with 2 CFR 200.516(a)?

None

Identification of major federal program:

CFDA Number:

10.927

Name of Federal Program:

Emergency Watershed Protection Program

Dollar threshold used to distinguish between type A
and type B programs

\$750,000

Auditee qualified as low-risk auditee?

Yes

Financial Statement Findings

None reported

Federal Awards Findings

None reported



COOKE COUNTY AUDITOR
COOKE COUNTY COURTHOUSE
101 SOUTH DIXON STREET
GAINESVILLE, TEXAS 76240
PHONE: 940-668-5431 - FAX: 940-668-5442

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

No prior year findings.