

PARKER COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2016

**PARKER COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2016**

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge
and County Commissioners' Court
Parker 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 Parker County, Texas (the County) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 – 12, Texas County District Retirement System Schedule of Changes in the Employer's Net Pension Liability and Related Ratios and the Texas County District Retirement System Schedule of Employer Contributions on pages 47 – 48 and the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual General Fund and Lateral Road Fund on pages 49 – 51 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State of Texas Uniform Grant Management Standards (UGMS) and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2017, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
July 24, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) of Parker County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2016. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The liabilities exceeded the County's assets and deferred outflows of resources at September 30, 2016 by \$4,368,374 (deficit net position). Of this amount, \$9,533,629 is restricted for specific purposes and \$18,017,954 represents a deficit in unrestricted net position. Net position also reflects net investment in capital assets of \$4,115,951.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at September 30, 2016 of \$32,427,812; of which \$6,235,767 represents non-spendable fund balance, \$12,215,209 represents fund balance restricted for funding of debt service, capital projects, the lateral road fund, and federal and state programs, \$109,591 represents fund balance committed to state and special programs, and \$13,867,245 or 43% represents unassigned fund balance.
- The general fund reports a fund balance of \$14,073,563; of which \$84,867 represents non-spendable fund balance with the remaining reported as unassigned. Unassigned fund balance for the General fund equals 33% of total General fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's financial statements. The County's financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) other required supplementary information in addition to the basic financial statements themselves. This report also contains other supplementary information in addition to the basic 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. They present the financial picture of the County from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the County as well as all liabilities (including long-term debt). Additionally, interfund activity including has been eliminated.

The statement of net position presents information on all of the County's assets, deferred outflows of resources less liabilities and deferred inflows with the remaining 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 net position changed during the most recent fiscal year using the full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government; public safety; health and welfare; roads and bridges; law enforcement; judicial; recording; and tax assessing-collecting.

The government-wide financial statements can be found on pages 13 and 14 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. All of the funds of the County can be divided into three categories: governmental funds, proprietary 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. Unlike the government-wide financial statements, however, 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 the County'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 fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County maintains thirty-seven individual funds (excluding fiduciary funds), thirty-two special revenue funds, a capital project fund, a debt service fund, lateral road fund, an internal service fund and a general fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Lateral Road Fund, Capital Projects Tax Road Bonds Fund and the Debt Service Fund, which are classified as major funds. Data from the other nonmajor 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 governmental fund financial statements can be found on pages 15 and 18 of this report.

Proprietary funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The County uses an internal service fund to account for its self-insurance programs. Because these activities benefit governmental functions, they have been included with governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found on pages 19 through 21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statement can be found on page 22 of this report.

Notes to the basic 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 on pages 23 through 46 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budget comparisons. The required supplementary information can be found on pages 47 through 51 of this report. Combining statements and schedules are also included in the report as other supplementary information and can be found on pages 52 through 68.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, liabilities exceeded assets and deferred outflows of resources by \$4,368,374 as of September 30, 2016.

Parker County's Net Position

	Governmental Activities	
	2016	2015
Current and other assets	\$ 44,412,236	\$ 43,517,502
Capital assets, net of depreciation	58,699,736	54,285,875
Total assets	103,111,972	97,803,377
Deferred outflow of resources	14,846,588	3,655,335
Long-term liabilities, including due in one year	116,382,409	105,424,595
Other liabilities	5,578,756	5,944,338
Unearned revenue	-	352,905
Total liabilities	121,961,165	111,721,838
Deferred inflow of resources	365,769	-
Net position		
Net investment in capital assets	4,115,951	1,769,282
Restricted	9,533,629	8,857,818
Unrestricted	(18,017,954)	(20,890,226)
Total net position	\$ (4,368,374)	\$ (10,263,126)

Investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment, and construction in progress) less any related debt used to acquire those assets that is still outstanding is \$4,115,951. The 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. An additional \$9,533,629 of the County's net position represents resources that are subject to external restrictions on how they may be used. All restricted assets of the County are being held for purposes established by state and local laws, future construction, and debt service requirements on the County's outstanding debt. The County currently has a deficit unrestricted net position of \$18,017,954, which is the result of current year conveyance of assets to other governmental entities.

The County's governmental activities increased net position by \$5,894,752 during the current year. The total cost of all governmental activities this year was \$59,328,486. The amount that our taxpayers paid for these activities through property taxes was \$42,526,269 or 72%.

Parker County's Changes in Net Position

	Governmental Activities	
	2016	2015
Revenues		
Program revenues		
Charges for services	\$ 9,719,308	\$ 9,928,954
Operating grants and contributions	5,003,694	4,596,270
Capital grants and contributions	-	-
General revenues		
Property taxes	42,526,269	41,249,005
Sales and other taxes	7,678,049	7,690,539
Investment earnings	74,781	10,623
Other	251,564	109,851
	65,253,665	63,585,242
Expenses		
General government	9,787,867	8,170,881
Roads and bridges	10,126,402	9,463,924
Public safety	1,751,812	1,695,408
Law enforcement	19,173,480	17,953,078
Judicial	10,235,512	9,647,152
Health and welfare	643,097	607,217
Recording	2,907,746	2,458,627
Tax assessing-collecting	1,044,012	918,031
Interest and other costs	3,658,558	3,804,528
	59,328,486	54,718,846
Change in net position	5,925,179	8,866,396
Net position-beginning	(10,263,126)	(15,255,472)
Prior period adjustment	-	(3,874,050)
Net position-beginning, restated	(10,263,126)	(19,129,522)
Net position-ending	\$ (4,337,947)	\$ (10,263,126)

Revenues by Source

Key elements of the analysis of government-wide revenues and expenses reflect the following:

- Program revenues of \$14,723,002 equaled 25% of governmental expenses of \$59,328,486. As expected, general revenues in the amount of \$50,500,236 provided the remaining support and coverage for expenses.
- 32% or \$19,173,480 of the expenses are law enforcement while this category provided 18% of total revenues.
- Roads and bridges and judicial account for \$20,361,914 or 34% of expenses while only providing about 10% of total revenues.
- Operating grant revenues and contributions comprised about 8% of total revenues.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

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

Governmental funds. The general government functions are reported in the General, Special Revenue, Debt Service, and Capital Project Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's annual financing and budgeting 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.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$32,427,812. A decrease of \$176,054 in comparison with the prior year. Approximately \$13,867,245 or 43% of the fund balance represents unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is made up of nonspendable fund balance of \$6,235,767, committed fund balance of \$109,591, and restricted fund balance of \$13,867,245. Committed fund balance is set aside for state and special programs while the restricted fund balance is set aside to pay debt service in the amount of \$801,181, and fund capital projects in the amount of \$2,742,945, lateral road in the amount of \$4,229,633, and federal and state programs in the amount of \$4,441,450.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, fund balance of the general fund was \$14,073,563; of which \$84,867 was nonspendable fund balance, \$121,451 was restricted and the remainder was unassigned. As a measure of the general fund's liquidity, we compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents over 33%.

The fund balance of the County's general fund increased by \$2,128,034, which is primarily due to less expenditures than revenue to operate the County.

The debt service fund has a total fund balance of \$801,181, all of which is restricted for debt service. The debt service fund had an excess of revenues to expenditures for principal and interests on debt of \$164,681 which netted with other financing uses of \$86,118 from bond proceeds and payment to escrow agent to refund debt. The increase in debt service fund was \$78,563.

The capital projects funds had a total fund balance of \$8,893,845, \$6,150,900 of which is related to a long-term receivable and is considered non-spendable. The remaining fund balance is restricted for construction and improvements or acquisition of County-owned buildings and equipment. The net decrease in fund balance during the current year in the capital projects funds was \$2,180,505 after capital outlay expenditures and bond proceeds from issuance of debt during the current year.

The lateral road fund had a total fund balance of \$4,229,633, all of which is restricted for maintenance and construction of County roads and bridges. The net decrease in fund balance during the current year in the lateral road fund was \$428,494 due to more capital outlay and expenditures for maintenance on roads than continued property tax collections and a current year transfer from the general fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original fiscal year 2016 budget was adopted in September 2015, with the total beginning general fund expenditures in the amount of \$43,654,602.

In total, the original general fund budget for expenditures equaled the final general fund amended budget for expenditures.

Significant variations between the final budget and actual amounts include the following:

- Actual revenues were greater than budgeted by \$2,497,624 primarily due to the increase in sales tax collections and additional intergovernmental, fees of office and miscellaneous revenue over what was expected; and
- Actual expenditures were \$1,880,079 less than budgeted primarily due to lower costs in general government, public safety and judicial expenditures than anticipated, which were offset by higher than anticipated capital outlay expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The capital assets of the County are those assets, which are used in the performance of the County's functions including current year expenditures for infrastructure assets. At September 30, 2016, capital assets, net of accumulated depreciation, in the governmental activities totaled \$58,699,736. Depreciation on capital assets is recognized in the government-wide financial statements. Annual depreciation for buildings, improvements, infrastructure and machinery and equipment totaled \$5,879,856.

**Parker County's Capital Assets
(net of depreciation)**

	Governmental Activities	
	2016	2015
Land	\$ 2,701,651	\$ 2,701,651
Work in progress	5,410,409	2,608,050
Buildings and improvements	25,921,947	24,724,882
Infrastructure	17,989,520	17,899,596
Office furniture and equipment	787,620	1,347,332
Transportation equipment	1,299,649	1,119,045
Road maintenance equipment	4,439,211	3,695,315
Emergency management equipment	53,989	83,340
Other	95,740	106,664
	\$ 58,699,736	\$ 54,285,875
Total	\$ 58,699,736	\$ 54,285,875

Additional information on the County's capital assets can be found in Note 5 beginning on page 34 this report.

Long-term debt and capital leases. As of September 30, 2016, the County had unlimited tax road bonds, tax notes, and general obligation refunding bonds of \$92,160,000. Total capital leases payable were \$2,569,651. During the year, the County issued general obligation refunding bonds, tax notes, and unlimited refunding tax road bonds which is discussed in Note 7 page 35 of this report.

The County's total property tax rate for fiscal year 2016 was .39568 per \$100 assessed valuation, of which .06490 was for annual debt service, .07669 was for maintenance of County roads accounted for in the lateral road fund with the remaining \$.25409 levied on general maintenance and operations in the general fund. Revenue in each of the taxing funds represented approximately 61%, 74% and 100% for the General Fund, Lateral Road Fund and Debt Service Fund, respectively. The revenue generated through property taxes largely offset the expenditure incurred in the respective funds, as shown below.

	General Fund	Lateral Road Fund	Debt Service Fund
Property Taxes	\$ 26,806,056	\$ 8,341,692	\$ 6,837,936
Other Revenue	17,071,347	2,951,764	3,168
Total Revenue	43,877,403	11,293,456	6,841,104
Expenditures	41,774,523	12,089,550	6,676,423
Other Financing Sources (Uses)	25,154	367,600	(86,118)
Change in Fund Balance	\$ 2,128,034	\$ (428,494)	\$ 78,563

Parker County's Outstanding Debt

	Governmental Activities	
	2016	2015
Unlimited tax road bonds	\$ 76,280,000	\$ 77,318,675
Tax notes	3,175,000	-
General obligation refunding bonds	12,705,000	13,925,000
Capital leases payable	2,569,651	3,343,634
Total	\$ 94,729,651	\$ 94,587,309

Additional information on the County's long-term debt can be found in Note 7 beginning on page 35 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and economic uses of the County's resources, as well as, a means to accomplish the highest priority objectives. Through the budget, the County Commissioners set the direction of the County, allocate its resources and establish its priorities.

In considering the County budget for fiscal year 2017, the County Commissioners and management considered that the County, which is located near the /Fort Worth Metroplex, is anticipating an increase in new large businesses and retail sales, therefore sales tax revenues for the County are expected to increase approximately 6%.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors 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 any additional financial information, contact the appropriate financial office (County Auditor) at 1112 Santa Fe Drive, Weatherford, Texas, 76086 or (Parker County Judge) at 1 Courthouse Square, Weatherford, Texas 76086.

BASIC FINANCIAL STATEMENTS

**PARKER COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

	Primary Government
	Governmental Activities
ASSETS	
Cash	\$ 5,165,319
Investments	27,893,600
Receivables, net of allowance	11,173,450
Prepaid expenses and other assets	179,867
Land and work in progress	8,112,060
Other capital assets, net of depreciation	50,587,676
	Total assets
	103,111,972
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	5,749,386
Deferred outflows related to pension	9,097,202
	Total deferred outflows of resources
	14,846,588
LIABILITIES	
Accounts payable	3,667,378
Accrued salaries and benefits payable	1,214,915
Accrued interest payable	503,490
Due to other governmental entities	192,973
Noncurrent liabilities	
Due within one year	5,929,923
Due in more than one year	110,452,486
	Total liabilities
	121,961,165
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	365,769
	Total deferred inflows of resources
	365,769
NET POSITION	
Net investment in capital assets	4,115,951
Restricted for	
Debt service	698,102
Lateral road	4,394,077
State and federal programs	4,441,450
Unrestricted	(18,017,954)
	Total net position
	\$ (4,368,374)

The Notes to Financial Statements are an integral part of this statement.

**PARKER COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2016**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary government				
Governmental activities				
General government	\$ 9,787,867	\$ 364,970	\$ 620,540	\$ (8,802,357)
Roads and bridges	10,126,402	2,461,192	869,885	(6,795,325)
Public safety	1,751,812	78,282	224,352	(1,449,178)
Law enforcement	19,173,480	962,773	2,507,787	(15,702,920)
Judicial	10,235,512	2,196,881	755,484	(7,283,147)
Health and welfare	643,097	294,640	25,646	(322,811)
Recording	2,907,746	1,200,895	-	(1,706,851)
Tax assessing-collecting	1,044,012	2,159,675	-	1,115,663
Interest and other costs	3,658,558	-	-	(3,658,558)
Total primary government	<u>\$ 59,328,486</u>	<u>\$ 9,719,308</u>	<u>\$ 5,003,694</u>	(44,605,484)

General revenue	
Property taxes	42,526,269
Sales and other taxes	7,678,049
Investment earnings	74,781
Other general revenue	251,564
Total general revenues	<u>50,500,236</u>
Change in net position	5,894,752
Net position, beginning of year	<u>(10,263,126)</u>
Net position, end of year	<u>\$ (4,368,374)</u>

The Notes to Financial Statements are an integral part of this statement.

**PARKER COUNTY, TEXAS
BALANCE SHEET –
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	General	Lateral Road	Capital Projects Tax Road Bonds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 1,007,251	\$ 292,516	\$ 202,559	\$ 49,626	\$ 327,235	\$ 1,879,187
Investments	14,394,323	4,162,062	2,882,100	706,109	4,192,517	26,337,111
Receivables, net of allowance						
Property taxes	1,735,456	206,032	-	431,579	-	2,373,067
Intergovernmental	1,900,505	-	6,150,900	-	95,480	8,146,885
Other	71,659	513,134	-	14,278	15,729	614,800
Prepaid items and other assets	84,867	-	-	-	-	84,867
Total assets	19,194,061	5,173,744	9,235,559	1,201,592	4,630,961	39,435,917
Total assets and deferred outflows of resources	<u>\$ 19,194,061</u>	<u>\$ 5,173,744</u>	<u>\$ 9,235,559</u>	<u>\$ 1,201,592</u>	<u>\$ 4,630,961</u>	<u>\$ 39,435,917</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 2,547,871	\$ 554,718	\$ 341,714	\$ -	\$ 4,433	\$ 3,448,736
Accrued salaries and benefits payable	891,795	224,949	-	-	76,328	1,193,072
Due to other governmental entities	72,363	-	-	-	120,610	192,973
Total liabilities	3,512,029	779,667	341,714	-	201,371	4,834,781
Deferred inflows of resources						
Property taxes	1,608,469	164,444	-	400,411	-	2,173,324
Total deferred inflows of resources	1,608,469	164,444	-	400,411	-	2,173,324
Fund balances						
Nonspendable						
Inventory	19,836	-	-	-	-	19,836
Prepaid	65,031	-	-	-	-	65,031
Long term receivable	-	-	6,150,900	-	-	6,150,900
Restricted for						
Debt service	-	-	-	801,181	-	801,181
Capital projects	-	-	2,742,945	-	-	2,742,945
Lateral road	-	4,229,633	-	-	-	4,229,633
Federal and state programs	121,451	-	-	-	4,319,999	4,441,450
Committed to state and special programs	-	-	-	-	109,591	109,591
Unassigned	13,867,245	-	-	-	-	13,867,245
Total fund balances	14,073,563	4,229,633	8,893,845	801,181	4,429,590	32,427,812
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 19,194,061</u>	<u>\$ 5,173,744</u>	<u>\$ 9,235,559</u>	<u>\$ 1,201,592</u>	<u>\$ 4,630,961</u>	<u>\$ 39,435,917</u>

The Notes to Financial Statements are an integral part of this statement.

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

Total fund balances -- governmental funds		\$ 32,427,812
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		58,699,736
Net of deferred outflows and inflows of resources related to the pension liability that are not due and payable in the current period, and therefore, have not been included in the fund financial statements.		
Deferred outflows related to pension	9,097,202	
Deferred inflows related to pension	<u>(365,769)</u>	
Net of deferred outflows and inflows		8,731,433
Interest payable on long term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(503,490)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.		2,173,324
Noncurrent liabilities, including bonds payable, compensated absences, and pension liability, are not due and payable in the current period and therefore are not reported in the fund financial statements.		
Bonds payable	(92,160,000)	
Capital leases	(2,569,651)	
Deferred premiums on issuance	(8,051,331)	
Pension liability	(12,646,577)	
Compensated absences	<u>(954,850)</u>	
Total long-term liabilities		(116,382,409)
For debt refunding, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the government-wide financial statements.		5,749,386
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the government-wide statement of net position.		<u>4,735,834</u>
Total net position--governmental activities		<u>\$ (4,368,374)</u>

The Notes to Financial Statements are an integral part of this statement.

PARKER COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	General	Lateral Road	Capital Projects Tax Road Bonds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 26,806,056	\$ 8,341,692	\$ -	\$ 6,837,936	\$ -	\$ 41,985,684
Sales taxes	7,517,477	-	-	-	-	7,517,477
Intergovernmental	3,239,826	609,250	195,924	-	1,049,250	5,094,250
Fees of office	5,524,773	1,804,028	-	-	1,224,886	8,553,687
Fines and forfeitures	-	379,240	-	-	-	379,240
Interest	55,699	13,190	-	3,168	2,724	74,781
Royalties	57,573	-	-	-	-	57,573
Miscellaneous	675,999	146,056	19,871	-	208,464	1,050,390
Total revenues	43,877,403	11,293,456	215,795	6,841,104	2,485,324	64,713,082
EXPENDITURES						
Current						
General government	7,335,230	-	102,941	-	528,642	7,966,813
Roads and bridges	-	7,716,094	-	-	-	7,716,094
Public safety	634,429	-	-	-	117,105	751,534
Law enforcement	18,463,660	-	-	-	52,171	18,515,831
Judicial	9,358,956	-	-	-	808,996	10,167,952
Health and welfare	642,746	-	-	-	-	642,746
Recording	2,456,219	-	-	-	390,276	2,846,495
Tax assessing-collecting	1,042,960	-	-	-	-	1,042,960
Capital outlay	868,540	4,239,818	5,413,359	-	11,455	10,533,172
Debt service						
Principal	877,349	124,456	-	1,823,675	-	2,825,480
Interest and other charges	94,434	9,182	-	4,195,632	-	4,299,248
Bond issuance costs	-	-	55,000	657,116	-	712,116
Total expenditures	41,774,523	12,089,550	5,571,300	6,676,423	1,908,645	68,020,441
Excess (deficiency) of revenues over (under) expenditures	2,102,880	(796,094)	(5,355,505)	164,681	576,679	(3,307,359)
OTHER FINANCING SOURCES (USES)						
Proceeds on sale of assets	25,154	141,438	-	-	1,777	168,369
Capital Lease Proceeds	-	226,162	-	-	-	226,162
Bond proceeds	-	-	3,175,000	55,785,000	-	58,960,000
Payment to escrow	-	-	-	(63,157,017)	-	(63,157,017)
Premium on long term debt issued	-	-	-	7,285,899	-	7,285,899
Total other financing sources (uses)	25,154	367,600	3,175,000	(86,118)	1,777	3,483,413
NET CHANGES IN FUND BALANCES	2,128,034	(428,494)	(2,180,505)	78,563	578,456	176,054
FUND BALANCES, beginning of year	11,945,529	4,658,127	11,074,350	722,618	3,851,134	32,251,758
FUND BALANCES, end of year	\$ 14,073,563	\$ 4,229,633	\$ 8,893,845	\$ 801,181	\$ 4,429,590	\$ 32,427,812

The Notes to Financial Statements are an integral part of this statement.

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

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	176,054
<p>Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities the cost of the assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay		10,488,828
Depreciation		<u>(5,879,856)</u>
Net capital outlay		4,608,972
The net effect of capital assets disposals and conveyance of assets, decreases net position.		(195,111)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		540,585
Capital leases provide current financial resources to governmental funds while increasing long-term liabilities in the statement of net position.		(226,162)
Bond proceeds provide current financial resources to governmental funds while increasing long-term liabilities in the statement of net position.		(58,960,000)
Current year payment to escrow agent for refunded debt are other financing uses in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.		63,157,017
Expenditures related to the County's participation in the Texas County and District Retirement System are recorded as they are paid in the governmental funds, but are recognized based on the change in net pension liability in the Statement of Activities.		(402,659)
Repayment of long-term capital lease, general obligation bonds and unlimited tax road bonds principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		2,823,820
<p>Some items reported in the statement of activities do not involve current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities are:</p>		
Amortization of deferred loss on refunding		(374,630)
Amortization of premium from bond issuance		487,095
Premium addition from bond issuance		(7,285,899)
Decrease in accrued interest payable		206,492
Accretion of capital appreciation bonds		1,035,509
Decrease in compensated absences		<u>(33,516)</u>
Net increase in expenditures		(5,964,949)
Internal service funds are used by the County to account for health insurance activities. The net activity of the internal service fund is reported with governmental activities.		<u>337,185</u>
Change in net position of governmental activities - statement of activities	\$	<u><u>5,894,752</u></u>

The Notes to Financial Statements are an integral part of this statement.

**PARKER COUNTY, TEXAS
STATEMENT OF NET POSITION –
PROPRIETARY FUND
SEPTEMBER 30, 2016**

	Insurance Escrow
ASSETS	
Cash	\$ 3,286,132
Investments	1,556,489
Receivables, net of allowance	38,698
Prepaid items and other assets	95,000
Total assets	4,976,319
LIABILITIES	
Accounts payable	218,642
Accrued salaries and benefits payable	21,843
Total liabilities	240,485
NET POSITION	
Unrestricted	4,735,834
TOTAL NET POSITION	\$ 4,735,834

**PARKER COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION – PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2016**

	Insurance Escrow
OPERATING REVENUES	
Contributions	\$ 6,836,163
Total operating revenues	6,836,163
OPERATING EXPENSES	
Contractual	6,678,191
Total operating expenses	6,678,191
Operating income	157,972
NONOPERATING REVENUES	
Miscellaneous	179,213
Total nonoperating revenues	179,213
Change in net position	337,185
NET POSITION, beginning of year	4,398,649
NET POSITION, end of year	\$ 4,735,834

**PARKER COUNTY, TEXAS
STATEMENT OF CASH FLOWS –
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2016**

	Insurance Escrow
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 6,787,754
Payments to providers	(6,633,795)
Net cash provided by operating activities	153,959
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(647,325)
Miscellaneous receipts	179,213
Net cash used in investing activities	(468,112)
NET DECREASE IN CASH	(314,153)
CASH, beginning of year	3,600,285
CASH, end of year	\$ 3,286,132
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 157,972
Adjustments to reconcile operating income to net cash provided by operating activities	
Increase in accounts receivable	(38,409)
Increase in prepaids and other assets	(10,000)
Increase in accounts payable	44,396
Net cash provided by operating activities	\$ 153,959

**PARKER COUNTY, TEXAS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS
SEPTEMBER 30, 2016**

ASSETS

Cash	\$ 4,730,833
Investments	<u>472,365</u>

Total assets	<u><u>\$ 5,203,198</u></u>
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LIABILITIES

Deposits held and due to others	<u>\$ 5,203,198</u>
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Total liabilities	<u><u>\$ 5,203,198</u></u>
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**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Parker County, Texas (the County) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting Entity

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution. The County performs all local government functions within its jurisdiction. The County is governed by an elected County Judge and four County Commissioners elected from individual precincts. The Judge and Commissioners form the governing body as provided by state statute. Various branches of the County government are led by duly elected officials. The Commissioners' Court has governance responsibilities over all activities related to the County. The County receives funding from local, state and federal government sources and must comply with the requirements of these funding sources. The accompanying financial statements of the County present the financial position of the governmental activities and the respective changes in financial position. The County is not included in any other governmental reporting entity.

As required by accounting principles generally accepted in the United States of America, these financial statements present the County and its component unit. A component unit is an entity for which the County is considered to be financially accountable.

Historical Commission - The County created the entity to account for revenues and expenses associated with the preservation and restoration activities of the Parker County Historical Society. The governing body is made up of members appointed by the Commissioner's Court. Upon dissolution of the Society, the assets of the Society shall be distributed to Parker County. The Society provides all of its services to Parker County, Texas. The Historical Commission is a blended component unit because, although legally separate, it is in substance part of the County's operations. As such, the Historical Commission has been included in the accompanying financial statements.

The County is a general purpose government providing the following services to its citizens: public safety, health and welfare, public transportation through roads and bridges, law enforcement, judicial, recording, tax assessing-collecting, and general and financial administrative services.

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. Government-wide statements report information on all of the governmental, non-fiduciary, activities of the County. The effect of interfund transfers has been removed from the government-wide statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide Financial Statements – Continued

The statement of activities reflects the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues. These statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are 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 revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Governmental Fund Financial Statements

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The General Fund, the Lateral Road Fund, the Capital Projects Tax Road Bonds Fund, and the Debt Service Fund meet criteria as major governmental funds. Each major fund is reported in a separate column in the fund financial statements. Non-major funds include other Special Revenue Funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within Combining Statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Proprietary fund financial statements present the Internal Service Fund using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recognized at the time the liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include the cost of contractual services. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental Fund Financial Statements – Continued

Fiduciary fund level financial statements include agency funds and use the economic resources measurement focus and the accrual basis of accounting. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds are custodial in nature therefore fund resources are recorded as assets and liabilities and do not include revenue, expenditures or fund equity.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Lateral Road Fund is a special revenue fund used to account for the maintenance and construction of County roads and bridges. Financing is provided primarily by an annual property tax levy. Additional revenue is provided by a charge on each auto registration and from fines levied by the County.

Capital Projects Tax Road Bonds Fund is used to account for the proceeds of the Unlimited Tax Road Bonds - Series 2009 and Series 2014 and the Unlimited Tax Note – Series 2015 which were obtained for constructing, improving, extending, expanding, upgrading and/or developing roads in the County, right-of-way acquisition, utility relocation, traffic safety and operational improvements and other transportation related improvements, and payment of costs of issuance related to the bonds.

Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources which are set aside to finance particular functions or activities of the County.

The Internal Service Fund is used to account for the group health insurance benefits provided to the County's departments on a cost reimbursement basis.

Agency Funds are used to account for assets held by the County as an agent for individuals, business, other governments and/or other funds.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budget and Budgetary Accounting

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

- A. In the event the Commissioners Court increases property taxes three percent or less, no public hearing is required. If the Court increases taxes more than three percent but less than eight percent, then a public hearing is required prior to final adoption. If the Court increases taxes more than eight percent, a public hearing is required and taxes are subject to a rollback petition and election.
- B. Public hearings are conducted at the Parker County Courthouse and Courthouse Annex to obtain taxpayer comments.
- C. Prior to October 1, the budget is legally enacted through adoption of an order by Commissioners Court.
- D. Budgeted amounts may be transferred between line items of the budget within the same fund. Any amendments which alter the line items or total expenditures of any department must be approved by the Commissioners Court. There must be an emergency condition existing in order for the Court to increase the total budget.

Budgets for the various funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Expenditures in excess of appropriations are required by state statutes to be reported down to the department level. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners Court during the year ended September 30, 2016.

Cash and Investments

The County follows the practice of pooling cash and investments of all funds held by the County Treasurer, except when otherwise requested, in order to facilitate the management of cash. Balances in cash and pooled investments are available on a demand basis to each fund. Investments are reported at fair value.

For purposes of the statement of cash flows, the County considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Prepaid Items and Other Assets

Prepaid items and other assets consists of inventories accounted for under the first-in first-out method and prepaid items reflecting expenditures associated with future accounting periods.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets and Depreciation

Capital assets, which include land, buildings and improvements, office furnishings, road maintenance, transportation, firefighting and other equipment, and infrastructure assets (e.g. roads and bridges) are reported in the government-wide financial statements. Capital assets are defined as assets with a cost of \$5,000 or more. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	10 - 40 years
Infrastructure	20 years
Office furniture and equipment	3 - 20 years
Road maintenance equipment	3 - 10 years
Transportation equipment	3 - 5 years
Firefighting equipment	5 years
Emergency management equipment	5 years
Other equipment	5 years

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Upon new debt issuance, premiums and discounts are deferred and amortized over the life of the debt.

In the fund financial statements, governmental fund types recognized debt premiums and discounts, as well as issuance costs during the current period. The face amount of debt issued is reported as other financing sources, net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows/Inflows of Resources - Continued

- Deferred loss on refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- 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.

In addition to liabilities, the statement of financial position and/or balance sheet 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 one type of item that qualifies for reporting in this category, the portion of the County's property tax levy that was not collected until more than 60 days after the year end and therefore not considered available.

Fund Balances

Governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Classifications of governmental funds are as follows:

Nonspendable Fund Balance - includes amounts that are not in spendable form, not expected to be converted into cash within the current period or at all, or legally or contractually required to be maintained intact.

Restricted Fund Balance - includes amounts that are restricted for specific purposes stipulated by law or external resource providers. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of Commissioner's Court, which is the County's highest level of decision-making authority, and, conjunctively, require the same formal action by Commissioner's Court to remove or revise the enacted constraint limitations.

Assigned Fund Balance - includes amounts intended to be used for specific purposes that are neither restricted nor committed. Intent is expressed by the Commissioner's Court of Parker County, but operationally the ability to implement the intent may be delegated to one or more persons. Designees may be listed in the County's fund balance policy or, alternatively, in the County's budgetary policy.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Balances - Continued

Unassigned Fund Balance - represents the residual classification of all spendable amounts in the General Fund, not contained within the other classifications. The unassigned category is also used to report negative fund balances in all other funds.

It is the County's goal to achieve and maintain an unassigned General Fund balance of approximately 25% to 50% of budgeted expenditures for the fiscal year, to be used for unanticipated needs and to maintain restricted fund balance of the Debt Service Fund of approximately 25% of the following year's debt service requirements, to be used for debt service. At the end of fiscal year 2016, the unassigned General Fund balance was 32% of budgeted expenditures and the Debt Service Fund balance was at 12% of the following year's debt service requirements.

Where appropriate, the County will use restricted, committed, and assigned fund balances, in that order, prior to using unassigned resources.

Net Position

In the government-wide financial statements, net position is classified in the following categories:

Net investment in capital assets –The component of net position that reports the difference between capital assets less the accumulated depreciation and the outstanding balance of debt net of premiums and discounts, excluding any unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Since some of the County's borrowings are from financed capital assets owned by other governments, the portion of the capital assets owned by other governments add to the above equation. As of September 30, 2016 an estimated \$39,700,000 are County financed capital assets owned by other governments. This amount will be added to the net investment in capital assets.

Restricted net position –Consists of external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, enabling legislation, and constitutional provisions.

Unrestricted net position –Represents net position, not restricted for any project or other purpose.

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

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Encumbrances

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at the end of the fiscal year. Encumbrances outstanding at that time are cancelled and become available for future appropriation.

Pensions

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

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. DEPOSITS AND INVESTMENTS

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds under a written investment policy (the Investment Policy) that primarily emphasizes safety of principal, availability of liquidity to meet the County's obligations and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under chapter 2256 of the Texas Government Code.

The County's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by Commissioners' Court. The Investment Policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition it includes an investment strategy that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification, yield and management of maturities.

The County is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Obligations of the United States or its instrumentalities;
2. Direct obligations of the State of Texas or its agencies and instrumentalities;
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed or insured by the State of Texas or the United States or its instrumentalities;
4. Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or its instrumentalities;
5. Obligations of states, agencies, counties, cities, and other political subdivisions of any state that are rated A or higher by a nationally recognized investment rating firm;
6. Certificates of deposit that are guaranteed or insured by the FDIC or are secured as to principal by obligations described in Section 2256.009(a) of the Public Funds Investment Act or any other manner or amount provided by law for County deposits;
7. Fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in Section 2256.009(ax 1) of the Public Funds Investment Act, and are placed through a primary government securities dealer or a bank domiciled in the State of Texas;
8. Banker's acceptances with the remaining term of 270 days or less, in the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1, or the equivalent by at least one nationally recognized credit rating agency;
9. Commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank;
10. No-load money market mutual funds registered with the Securities and Exchange Commission (SEC) that have a dollar weighted average portfolio maturity of 90 days or less, and include in their investment objective the maintenance of a stable net asset value of \$1 for each share;

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2. DEPOSITS AND INVESTMENTS - CONTINUED

11. No-load mutual funds registered with the SEC, invested in obligations approved by the County that have an average weighted maturity of less than two years, continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent, and conformed to the eligibility of investment pools to receive and invest funds of investing entities; and
12. Eligible investment pools.

As of September 30, 2016, the County had the following investments:

	Weighted Average Maturity	Credit Rating	Market Value	Percentage of Total
Baird - Federated Government Obligation Fund Institutional Class	45 days	AAAm	\$ 28,365,965	100%
Total investments			<u>\$ 28,365,965</u>	<u>100%</u>

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles which establishes a three-level fair value hierarchy based on the inputs that are used to measure assets and liabilities. Financial instruments valued at net asset value (NAV) are excluded from the hierarchy. The Federated Government Obligation Fund Institutional Class is measured at net asset value and are, therefore excluded from fair value reporting within the hierarchy.

Interest Rate Risk - The County limits exposure to fair value losses arising from interest rates by not directly investing in securities with maturity dates that exceed 2 years from the date of purchase. At September 30, 2016, 100% of the County's portfolio had maturity dates less than one year.

Credit Risk - Investments are exposed to credit risk if the security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. As of September 30, 2016, the County's investments in Baird - Federated Government Obligation Fund Institutional Class are rated by Standard and Poor's (see credit ratings above) and have an average weighted maturity of less than 90 days.

Concentration of Credit Risk - The County does not place a limit on the amount that may be invested.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. At September 30, 2016, the County's deposits were insured or collateralized with securities held by the County or by its agent in the County's name.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. PROPERTY TAX

Taxes are levied on October 1 in conformity with Subtitle E, Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1. Property taxes attach as an enforceable lien as of January 1 to secure the payment of all taxes, penalties, and interest ultimately imposed. The Parker County Appraisal District assesses and collects property taxes for the County. The tax rate for the year ended September 30, 2016, excluding that portion budgeted for the retirement of long-term debt principal and interest was 0.3307828 per \$100 valuation. The total tax rate for all purposes was 0.3956828 per \$100 valuation. The County's general obligation refunding bonds require an annual tax levy sufficient to pay principal and interest on the bonds with allowances being made for delinquent taxes.

NOTE 4. DELINQUENT PROPERTY TAXES

At the governmental fund level, property taxes are recognized as revenue when collected including those collected 60 days after fiscal year end. Delinquent property taxes receivable represent all uncollected property taxes and an account for estimated uncollectible taxes (allowance) is established based on the County's collection history. Deferred inflows of resources are reported in connection with property taxes receivable for revenues that are not considered to be available. The County's taxes on real property are a lien against such property until paid.

The following schedule details delinquent property taxes receivable by fund at September 30, 2016:

<u>Fund</u>	<u>Delinquent Taxes</u>	<u>Allowance</u>	<u>Net Receivable</u>
General	\$ 2,277,568	\$ (542,112)	\$ 1,735,456
Debt Service	570,046	(138,467)	431,579
Lateral Road	<u>376,177</u>	<u>(170,145)</u>	<u>206,032</u>
Total	<u>\$ 3,223,791</u>	<u>\$ (850,724)</u>	<u>\$ 2,373,067</u>

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. CHANGES IN CAPITAL ASSETS

During the year ended September 30, 2016, the County completed various capital projects relating to infrastructure, roads and bridges, and right of way.

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning 10/1/15	Reclass/ Additions	Reclass/ Deletions	Balance 9/30/16
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,701,651	\$ -	\$ -	\$ 2,701,651
Work in progress	2,608,050	4,223,484	1,421,125	5,410,409
Total capital assets not being depreciated	5,309,701	4,223,484	1,421,125	8,112,060
Depreciable capital assets				
Buildings and improvements	37,479,835	3,796,508	38,769	41,237,574
Infrastructure	132,152,709	1,421,125	-	133,573,834
Office furniture and equipment	9,170,069	256,499	1,946,983	7,479,585
Transportation equipment	5,153,717	577,047	252,689	5,478,075
Road maintenance equipment	15,121,556	1,592,899	203,079	16,511,376
Fire fighting equipment	2,852,086	-	2,852,086	-
Emergency management equipment	687,490	26,372	128,803	585,059
Other	167,389	16,019	12,269	171,139
Total depreciable capital assets	202,784,851	7,686,469	5,434,678	205,036,642
Less accumulated depreciation for				
Buildings and improvements	12,754,953	2,566,426	5,752	15,315,627
Infrastructure	114,253,113	1,331,201	-	115,584,314
Office furniture and equipment	7,822,737	705,982	1,836,754	6,691,965
Transportation equipment	4,034,672	392,943	249,189	4,178,426
Road maintenance equipment	11,426,241	822,410	176,486	12,072,165
Fire fighting equipment	2,852,086	-	2,852,086	-
Emergency management equipment	604,150	38,920	112,000	531,070
Other	60,725	21,974	7,300	75,399
Total accumulated depreciation	153,808,677	5,879,856	5,239,567	154,448,966
Depreciable capital assets, net	48,976,174	1,806,613	195,111	50,587,676
Governmental activities capital assets, net	\$ 54,285,875	\$ 6,030,097	\$ 1,616,236	\$ 58,699,736

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. CHANGES IN CAPITAL ASSETS – CONTINUED

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

Governmental activities	
General government	\$ 1,822,754
Roads and bridges	2,293,144
Public safety	999,576
Law enforcement	646,784
Judicial	58,799
Recording	<u>58,799</u>
Total depreciation for governmental activities	<u><u>\$ 5,879,856</u></u>

NOTE 6. COMPENSATORY PAY

County policy allows the accrual of vacation, compensatory time, and sick pay benefits for all employees other than elected officials. The expense of the benefits is recognized when incurred. Vacation and compensatory pay is paid upon termination if the employee gives two weeks' notice or is terminated by the County. The liability for accrued vacation and compensatory pay is included below with general long-term debt. At September 30, 2016 the value of accumulated vacation and compensatory benefits amounted to \$954,850. The General Fund has been used to liquidate the liability.

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES

Unlimited Tax Road Bonds

The County issued \$59,999,975 in unlimited tax road bonds in April of 2009 for the purpose of constructing, improving, extending, expanding, upgrading and/or developing roads in the County, right-of-way acquisition, utility relocation, traffic safety and operational improvements and other transportation related improvements. In April of 2016, the County refunded \$53,885,000 of the bonds outstanding. Principal payments are due in annual installments on February 15. The remaining bonds are scheduled to mature in February of 2019. Interest is payable February 15 and August 15, at interest rates ranging from 3.75% to 5.25%. The outstanding balance at September 30, 2016 was \$4,400,000.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES – CONTINUED

Unlimited Tax Road Bonds – Continued

The County issued \$18,965,000 in unlimited tax road bonds in December of 2012 for the purpose of constructing, improving, extending, expanding, upgrading and/or developing roads in the County, right-of-way acquisition, utility relocation, traffic safety and operational improvements and other transportation related improvements. Principal payments are due in annual installments on February 15. The bonds are scheduled to mature in February of 2038. Interest is payable February 15 and August 15, at interest rates ranging from 2.0% to 4.0%. The outstanding balance at September 30, 2016 was \$18,530,000.

Unlimited Tax Refunding Bonds

The County issued \$53,350,000 in refunding bonds in April of 2016 with interests rates ranging from 2 to 5%. The proceeds were used to advance refund \$53,885,000 of Unlimited Tax Road Bond, Series 2009 which had interests rate ranging from 3 to 5.25%. The proceeds were placed in an irrevocable trust with an escrow agent to provide funds for future debt service payment on the refunded bonds. As a result, \$53,885,000 of Unlimited Tax Road Bonds, Series 2009 are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. At September 30, 2016 \$53,885,000 of the defeased debt remain outstanding. The reacquisition price exceeded the net carrying amount of the refunded debt by \$5,614,472 and will be amortized over the remaining life of the 2016 Unlimited Tax Refunding Bonds. The County refunded the 2009 Unlimited Tax Road Bonds to reduce its total debt service payments by \$7,635,119 and to obtain an economic gain of \$5,858,554 (present value).

General Obligation Refunding Bonds

The County issued \$3,430,000 in refunding bonds in June of 2005 for the purpose of partial refunding of the 2002 and 2004 Tax Notes. The debt was refunded with the issuance of the general obligation refunding bond series 2015 during the fiscal year.

On December 15, 2015, the County issued \$2,435,000 General Obligation Refunding Bonds, Series 2016 with an interest rate ranging of 2.09%. The proceeds were used to refund \$2,335,000 of General Obligation Refunding Bonds, Series 2005 which had interest rates ranging from 3.8 to 4.5%. The proceeds were placed with an escrow agent and refunded all of the General Obligation Refunding Bonds, Series 2005 on January 21, 2016. The reacquisition price exceeded the net carrying amount of the refunded debt by \$39,138 and will be amortized over the remaining life of the 2015 General Obligation Refunding Bonds. The County refunded the 2005 General Obligation Refunding Bonds to reduce its total debt service payments by \$213,940 and to obtain an economic gain of \$192,573 (present value).

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

General Obligation Refunding Bonds – Continued

The County issued refunding General Obligation Bonds; Series 2014 were issued in the amount of \$12,645,000 with interest rates between 0.393% and 3.469%. The outstanding balance on the Series 2014 bonds at September 30, 2016 was \$10,525,000. Principal payments are due in annual installments on February 15. Interest is due on February 15 and August 15 of each year. The bonds are scheduled to mature in February of 2025.

Current requirements for bonded indebtedness of the County are accounted for in the Debt Service funds.

Tax Notes

The County issued Tax Notes - Series 2015 in December of 2015 in the amount of \$3,175,000 with an interest rate of 2.020% to fund capital projects related to building renovations. The outstanding balance on the Series 2014 bonds at September 30, 2016 was \$3,175,000. Principal interest payments are due in annual installments on February 15 and August 15. The bonds are scheduled to mature in February of 2023.

Debt service requirements for the outstanding tax notes, bonds, and certificates of obligation are as follows:

Year	Principal	Interest	Total
2017	\$ 3,430,000	\$ 3,447,638	\$ 6,877,638
2018	3,620,000	3,324,602	6,944,602
2019	3,790,000	3,220,897	7,010,897
2020	3,965,000	3,118,686	7,083,686
2021	4,160,000	2,982,895	7,142,895
2022-2026	22,415,000	12,379,617	34,794,617
2027-2031	26,990,000	7,278,938	34,268,938
2032-2036	21,300,000	1,833,844	23,133,844
2037-2038	2,490,000	81,575	2,571,575
	<u>\$ 92,160,000</u>	<u>\$ 37,668,692</u>	<u>\$ 129,828,692</u>

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES – CONTINUED

A summary of changes in governmental activities long-term debt follows:

	October 1, 2015	Additions	Retirements	September 30, 2016	Due Within One Year
General Obligation Refunding Bonds, Series 2005	\$ 2,335,000	\$ -	\$ 2,335,000	\$ -	\$ -
General Obligation Refunding Bonds, Series 2014	11,590,000	-	1,065,000	10,525,000	1,070,000
General Obligation Refunding Bonds, Series 2015	-	2,435,000	255,000	2,180,000	225,000
Unlimited Tax Road Bonds 2009	58,608,675	-	54,208,675	4,400,000	1,410,000
Unlimited Tax Road Bonds 2013	18,710,000	-	180,000	18,530,000	260,000
Unlimited Tax Note, Series 2015	-	3,175,000	-	3,175,000	400,000
Unlimited Tax Refunding, Series 2016	-	53,350,000	-	53,350,000	65,000
Plus deferred premiums on issuance	2,535,934	6,002,492	487,095	8,051,331	487,095
Plus accumulated accretion	1,035,509	25,825	1,061,334	-	-
Capital lease payable	3,343,634	226,162	1,000,145	2,569,651	1,139,991
Net pension liability	6,344,509	6,302,068	-	12,646,577	-
Compensated absences	921,334	1,157,873	1,124,357	954,850	872,837
Totals	\$ 105,424,595	\$ 72,674,420	\$ 61,716,606	\$ 116,382,409	\$ 5,929,923

Capital Leases Payable

Precinct One

The County entered into a capital lease agreement in December 2015 in the amount of \$226,162. The lease balance is payable in four successive annual payments of \$60,898 and a final of \$1, bearing interest at the rate of 3.185% per annum. The capital lease proceeds were used to purchase equipment by Precinct One (Fund 01). The balance as of September 30, 2016 was \$226,162.

Precinct One and Precinct Two

The County entered into a capital lease agreement in November 2014 in the amount of \$158,581. The lease balance is payable in three successive annual payments of \$56,359 each and a final payment of \$1, bearing interest at the rate of 3.927% per annum. The capital lease proceeds were used to purchase equipment by Precinct One (Fund 01) and Precinct Two (Fund 02). The balance at September 30, 2016 was \$106,409.

Precinct Two

The County entered into a capital lease agreement in June 2015 in the amount of \$223,775. The lease balance is payable in seven successive annual payments of \$35,613 each and a final payment of \$1, bearing interest at the rate of 3.245% per annum. The capital lease proceeds were used to purchase equipment by Precinct Two (Fund 02). The balance at September 30, 2016 was \$191,369.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES – CONTINUED

Capital Leases Payable – Continued

Precinct Four

The County entered into a capital lease agreement in June 2015 in the amount of \$263,915. The lease balance is payable in seven successive annual payments of \$41,995 each and a final payment of \$1, bearing interest at the rate of 3.24% per annum. The capital lease proceeds were used to purchase equipment by Precinct Four (Fund 04). The balance at September 30, 2016 was \$225,697.

Emergency Management

The County entered into a capital lease agreement in February 2007 in the amount of \$3,787,122. The lease balance is payable in nine successive annual payments and a final payment of \$468,153 in fiscal year 2017 bearing interest at the rate of 4.17% per annum. The capital lease proceeds were used to purchase County-wide communications equipment for emergency services. The balance at September 30, 2016 was \$500,952.

Sheriff Administration

The County entered into a capital lease agreement in November 2008 in the amount of \$411,915. The lease balance is payable in nine successive annual payments of \$54,976, bearing interest at the rate of 4.57% per annum, maturity in fiscal year 2017. The capital lease proceeds were used to purchase County-wide CAD mapping software and equipment. The balance at September 30, 2016 was \$62,535.

The County entered into a capital lease agreement in December 2013 in the amount of \$2,039,400. The lease balance is payable in five successive annual payments of \$445,930, bearing interest at the rate of 3.2% per annum. The capital lease proceeds were used to purchase a judicial software system for the courts and an automatic dispatch and retrieval system for the Sheriff's Department. The balance at September 30, 2016 was \$1,256,527.

The following analysis of equipment leased under capital leases as of September 30, 2016:

	Governmental Activities
Equipment	\$ 7,215,695
Less accumulated depreciation	(4,557,781)
Total	\$ 2,657,914

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7. LONG-TERM DEBT AND CAPITAL LEASES – CONTINUED

Capital Leases Payable – Continued

Future minimum lease payments for the above capital leases are as follows:

Scheduled minimum lease payments	\$ 2,744,487
Amount representing interest	<u>(174,836)</u>
Present value of future minimum capital lease payments (principal payoff)	<u><u>\$ 2,569,651</u></u>

The following is the future annual requirements for the capital leases:

Year	Principal	Interest	Total
2017	\$ 1,139,991	\$ 85,545	\$ 1,225,536
2018	594,528	46,266	640,794
2019	557,608	26,827	584,435
2020	129,542	8,964	138,506
2021	72,811	4,797	77,608
2022-2025	<u>75,171</u>	<u>2,437</u>	<u>77,608</u>
Total	<u><u>\$ 2,569,651</u></u>	<u><u>\$ 174,836</u></u>	<u><u>\$ 2,744,487</u></u>

NOTE 8. RETIREMENT PLAN

The County provides retirement, disability, and death benefits for all of its full-time employees through 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 586 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The Comprehensive Annual Financial Report (CAFR) is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034. This report is also available at www.tcdrs.org.

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

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. RETIREMENT PLAN – CONTINUED

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 Commissioners Court within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the County's commitment to contribute. 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.

Contributions: The employer has elected the annually determined contribution rate (variable-rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually, however the County may elect to contribute at a rate higher than the actuarially determined rate, or make additional lump sum contributions on an ad hoc basis to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. The employer contributed using the actuarially determined rate of 11% for the months of the accounting year in 2016 and 2015.

The deposit rate payable by the employee members for calendar year 2016 and 2015 is the rate of 7% as adopted by the Commissioner's Court. The employee contribution rate and the employer contribution rate may be changed by the Commissioner's Court of the employer within the options available in the TCDRS Act.

Actuarial Assumptions

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

Valuation date	December 31, 2015
Actuarial cost method	Entry Age Normal
Asset valuation method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.00%
Salary increase	4.90%
Investment rate of return	8.10%
Payroll growth	3.50%

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. RETIREMENT PLAN – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8.10%. The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of December 31, 2015 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Gemoetric Real</u>
US Equities	14.50%	5.45%
Private Equities	14.00%	8.45%
Global Equities	1.50%	5.75%
International Equities - Developed	10.00%	5.45%
International Equities - Emerging	8.00%	6.45%
Investment - Grade Bonds	3.00%	1.00%
High-Yield Bonds	3.00%	5.10%
Opportunistic Credit	2.00%	5.09%
Direct Lending	5.00%	6.40%
Distressed Debt	3.00%	8.10%
REIT Equities	3.00%	4.00%
Master Limited Partnerships (MLPs)	3.00%	6.80%
Private Real Estate Partnerships	5.00%	6.90%
Hedge Funds	25.00%	5.25%
Total	100.00%	

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. RETIREMENT PLAN – CONTINUED

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8.10%) in measuring the Net Pension Liability at December 31, 2015:

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$100,944,153	\$ 89,010,844	\$ 79,088,803
Fiduciary net pension	76,364,267	76,364,267	76,364,267
Net pension liability / (asset)	\$ 24,579,886	\$ 12,646,577	\$ 2,724,536

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

At September 30, 2016, the County reported \$12,646,577 for the net pension liability and pension expense of \$2,963,330 related to the December 31, 2015 valuation. The breakdown of the components of pension expense follows:

	January 1, 2015 - December 31, 2015
Service cost	\$ 2,887,467
Interest on total pension liability (1)	6,688,055
Effect of plan changes	(556,380)
Administrative expenses	54,896
Member contributions	(1,627,429)
Expected investment return net of investment expenses	(6,268,277)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(78,292)
Recognition of assumption changes or inputs	211,272
Recognition of investment gains or losses	1,686,173
Other (2)	(34,155)
Pension expense	<u>\$ 2,963,330</u>

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

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

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8. RETIREMENT PLAN – CONTINUED

The County reported deferred outflows of resources related to the pension from the following sources:

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences between expected and actual economic experience	\$ 365,769	\$ 87,261
Change in assumption	-	633,817
Net difference between projected and actual investment earnings	-	6,530,096
Contributions subsequent to the measurement date	-	1,846,028
Total	\$ 365,769	\$ 9,097,202

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

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2016	\$ 1,819,153
2017	1,819,154
2018	1,775,522
2019	1,471,576
Total	\$ 6,885,405

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The County participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS.) This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The GTLF is a separate trust administered by TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

Plan Description – Continued

available at www.tcdrs.org. TCDRS's Comprehensive Annual Financial Report may also be obtained by writing to the Texas County and District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 8010-823-7782.

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County contributions to the GTLF for the years ended September 30, 2016, 2015, and 2014 were \$90,886, \$81,194, and \$76,560, respectively, which equaled the contractually required contributions each year.

NOTE 10. COMMITMENTS AND CONTINGENCIES

The County participates in several programs that are subject to audit by various State and Federal Agencies. These programs have complex compliance requirements. Should State or Federal auditors discover areas of material noncompliance, those County funds may be subject to refund if so determined by administrative audit review.

The County is subject to various lawsuits. Although the outcome of any litigation is not presently determinable, it is the opinion of the County's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

**PARKER COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS**

NOTE 11. 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; and natural disasters. To reduce its risk of exposure in these areas, the County is a member of the Texas Association of Counties Risk Pool for liability, property, and workers' compensation. The pool is a public entity risk pool and was created based on the general objectives of formulating, developing and administering a program of self-insurance for the membership and obtaining lower costs for coverages. The pool coverage is offered through interlocal agreements between the Pool and counties. The pool has the power to establish fees, contributions and methods for establishing rates. Under contract with the pool, the Association provides for such services as claims administration and management, underwriting, loss control services and training, and financial reporting for its members. The Association submits sealed bids to counties during the bid process. The Pool is governed by a Board of Directors made up of employees or officials of counties which are members of the pool. Member counties make contributions to the pool based on fixed premiums, and the pool provides insurance coverage and applicable reinsurance or stop loss coverage to prevent extraordinary or catastrophic losses.

The insurance policies carry various deductibles and aggregate maximum loss totals. The by-laws of the pool are detailed in a separate document which can be obtained from the Texas Association of Counties, 1210 San Antonio Street, Austin, TX 78701.

There have been no significant reductions in coverage from the coverage in the past fiscal year, and there have been no settlements exceeding insurance coverage in the current or past three fiscal years.

NOTE 12. DEFICIT NET POSITION

A deficit unrestricted net position of approximately \$18.1 million exists in governmental activities as of September 30, 2016. This deficit is primarily the result of the County conveying assets in prior years to the Texas Department of Transportation and various cities within the County.

REQUIRED SUPPLEMENTARY INFORMATION

PARKER COUNTY, TEXAS
TEXAS COUNTY DISTRICT RETIREMENT SYSTEM SCHEDULE OF CHANGES IN
EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS FOR THE EMPLOYEES
OF PARKER COUNTY
YEAR ENDED SEPTEMBER 30, 2016

	2016	2015
Total Pension Liability		
Service cost	\$ 2,887,467	\$ 2,748,729
Interest (on the total pension liability)	6,688,056	6,158,291
Effect of plan changes	(556,380)	-
Effect of assumption changes or inputs	845,089	-
Effect of economic/demographic losses	(487,692)	174,522
Benefit payments/refunds of contributions	(2,701,616)	(2,798,116)
Net Change in Total Pension Liability	6,674,924	6,283,426
Total Pension Liability - Beginning	82,335,921	76,052,495
Total Pension Liability - Ending (a)	\$ 89,010,845	\$ 82,335,921
Plan Fiduciary Net Position		
Contributions - Employer	\$ 2,557,388	\$ 2,317,316
Contributions - Employee	1,627,429	1,475,998
Investment income net of investment expenses	(1,089,605)	4,721,721
Benefit payments/refunds of contributions	(2,701,616)	(2,798,116)
Administrative expense	(54,895)	(56,458)
Other	34,155	(100,779)
Net Change in Plan Fiduciary Net Position	372,856	5,559,682
Plan Fiduciary Net Position - Beginning	75,991,412	70,431,730
Plan Fiduciary Net Position - Ending (b)	\$ 76,364,268	\$ 75,991,412
Net Pension Liability - Ending (a) - (b)	\$ 12,646,577	\$ 6,344,509
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.79%	92.29%
Covered Employee Payroll	\$ 23,248,980	\$ 21,085,679
Net Pension Liability as a Percentage of Covered Employee Payroll	54.40%	30.09%

Notes to Schedule:

As of December 31 - Measurement date

Benefit changes. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

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

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

**PARKER COUNTY, TEXAS
TEXAS COUNTY DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2016**

	Year Ended December 31,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 2,557,388	\$ 2,317,316	\$ 2,134,740	\$ 1,936,701	\$ 2,173,044	\$ 2,161,779	\$ 2,003,344	\$ 1,761,514	\$ 1,743,873	\$ 1,194,775
Contributions in relation to the actuarially determined contribution	2,557,388	2,317,316	2,134,740	1,936,701	2,173,044	2,161,779	2,003,344	1,761,514	1,743,873	1,194,775
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 23,681,315	\$ 21,957,383	\$ 20,234,526	\$ 19,483,984	\$ 19,629,775	\$ 20,035,025	\$ 19,679,211	\$ 18,066,809	\$ 17,317,510	\$ 15,028,622
Contributions as a percentage of covered-employee payroll	10.8%	10.6%	10.5%	9.9%	11.1%	10.8%	10.2%	9.8%	10.1%	7.9%

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15.3 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of return	8.00%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

**PARKER COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 26,768,580	\$ 26,768,580	\$ 26,806,056	\$ 37,476
Sales taxes	7,000,000	7,000,000	7,517,477	517,477
Intergovernmental	2,538,809	2,538,809	3,239,826	701,017
Fees of office	4,650,430	4,650,430	5,524,773	874,343
Interest	9,250	9,250	55,699	46,449
Royalties	55,000	55,000	57,573	2,573
Miscellaneous	357,710	357,710	675,999	318,289
Total revenues	41,379,779	41,379,779	43,877,403	2,497,624
EXPENDITURES				
General government				
Commissioners' court	218,832	133,832	89,542	44,290
County judge	370,740	370,740	332,997	37,743
Veterans' service officer	71,143	71,143	70,551	592
Non-departmental	2,381,882	2,220,632	2,170,991	49,641
Employee benefits	183,868	183,868	180,780	3,088
Election expenses	770,983	770,983	592,128	178,855
County auditor	625,468	625,468	576,898	48,570
County treasurer	321,236	321,236	319,939	1,297
Building and grounds	1,504,241	1,484,241	1,382,162	102,079
Purchasing administration	304,271	304,271	287,568	16,703
Information technology	975,470	975,470	819,070	156,400
Social services	223,940	223,940	219,231	4,709
County extension services	332,902	332,902	293,373	39,529
Total general government	8,284,976	8,018,726	7,335,230	683,496
Public safety				
Emergency management	275,249	260,249	201,321	58,928
Fire protection	533,982	560,232	433,108	127,124
Total public safety	809,231	820,481	634,429	186,052
Law enforcement				
Jail	6,550,500	6,550,500	7,264,869	(714,369)
Constable #1	204,189	204,189	188,720	15,469
Constable #2	217,429	217,429	198,100	19,329
Constable #3	185,030	185,030	178,135	6,895
Constable #4	208,801	208,801	177,971	30,830
Sheriff administration	9,679,300	9,676,800	9,390,916	285,884
Sheriff investigation	115,930	118,430	73,954	44,476
Sheriff dispatching	19,753	19,753	10,317	9,436
Sheriff patrol	432,547	376,514	274,814	101,700
Training division	39,956	39,059	26,977	12,082
Jail transfer	128,787	128,787	78,045	50,742
Narcotics task force	132,113	132,113	79,173	52,940
Game warden	1,797	1,797	372	1,425
Animal control	490,709	490,709	400,326	90,383
Highway patrol (North)	56,575	56,575	56,532	43
Highway patrol (South)	66,469	66,469	64,439	2,030
Total law enforcement	18,529,885	18,472,955	18,463,660	9,295

**PARKER COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Judicial				
District court 43rd	952,700	952,700	831,072	121,628
District court 415th	985,902	985,902	767,933	217,969
County court-at-law #1	794,450	794,450	811,348	(16,898)
County court-at-law #2	786,652	786,652	848,789	(62,137)
Justice of the peace #1	397,409	397,409	386,056	11,353
Justice of the peace #2	428,276	428,276	395,720	32,556
Justice of the peace #3	482,281	482,281	471,518	10,763
Justice of the peace #4	483,371	483,371	444,915	38,456
County attorney	2,330,391	2,330,391	2,174,313	156,078
District attorney	1,579,978	1,576,978	1,480,670	96,308
Adult probation	10,000	10,000	7,868	2,132
Probate	146,469	146,469	103,728	42,741
Juvenile probation	765,390	765,390	635,026	130,364
Total judicial	10,143,269	10,140,269	9,358,956	781,313
Health and welfare				
Medical examiner-investigator	276,038	276,038	269,067	6,971
911 addressing	62,153	62,153	61,971	182
Sanitations	335,190	335,190	311,708	23,482
Total health and welfare	673,381	673,381	642,746	30,635
Recording				
County clerk	584,831	584,831	581,035	3,796
County clerk court division	948,069	948,069	912,700	35,369
District clerk	1,008,020	1,008,020	962,484	45,536
Total recording	2,540,920	2,540,920	2,456,219	84,701
Tax assessing-collecting	1,096,835	1,096,835	1,042,960	53,875
Total tax assessing-collecting	1,096,835	1,096,835	1,042,960	53,875
Capital outlay	541,000	875,930	868,540	7,390
Total capital outlay	541,000	875,930	868,540	7,390
Capital lease				
Principal	940,671	920,671	877,349	43,322
Interest	94,434	94,434	94,434	-
Total debt service	1,035,105	1,015,105	971,783	43,322
Total expenditures	43,654,602	43,654,602	41,774,523	1,880,079
Excess (deficiency) of revenues over (under) expenditures	(2,274,823)	(2,274,823)	2,102,880	4,377,703
OTHER FINANCING SOURCES				
Operating transfers in	792,172	792,172	-	(792,172)
Operating transfers out	(25,000)	(25,000)	-	25,000
Proceeds from capital lease	45,000	45,000	-	(45,000)
Sale of assets	5,000	5,000	25,154	20,154
Total other financing sources	817,172	817,172	25,154	(792,018)
Net changes in fund balances	(1,457,651)	(1,457,651)	2,128,034	3,585,685
FUND BALANCES, October 1	11,945,529	11,945,529	11,945,529	-
FUND BALANCES, September 30	\$ 10,487,878	\$ 10,487,878	\$ 14,073,563	\$ 3,585,685

**PARKER COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LATERAL ROAD FUND
YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 8,189,529	\$ 8,189,529	\$ 8,341,692	\$ 152,163
Intergovernmental	118,850	131,928	609,250	477,322
Fees of office	1,757,150	1,757,150	1,804,028	46,878
Fines and forfeitures	376,000	376,000	379,240	3,240
Interest	557	915	13,190	12,275
Miscellaneous	31,800	33,762	146,056	112,294
Total revenues	10,473,886	10,489,284	11,293,456	804,172
EXPENDITURES				
Roads and bridges				
General	42,446	42,446	40,236	2,210
Precinct 1	2,436,921	2,214,493	1,997,083	217,410
Precinct 2	2,358,359	2,151,028	2,014,032	136,996
Precinct 3	2,558,643	2,443,093	1,937,001	506,092
Precinct 4	1,923,752	1,850,324	1,727,742	122,582
Total roads and bridges	9,320,121	8,701,384	7,716,094	985,290
Capital outlay				
Precinct 1	708,823	931,251	1,280,738	(349,487)
Precinct 2	681,672	880,394	908,074	(27,680)
Precinct 3	767,080	882,630	1,001,753	(119,123)
Precinct 4	935,097	1,032,450	1,049,253	(16,803)
Total capital outlay	3,092,672	3,726,725	4,239,818	(513,093)
Debt service				
Precinct 1	39,765	39,765	39,537	228
Precinct 2	43,500	52,109	52,106	3
Precinct 4	46,283	46,283	41,995	4,288
Total debt service	129,548	138,157	133,638	4,519
Total expenditures	12,542,341	12,566,266	12,089,550	476,716
Excess (deficiency) of revenues over (under) expenditures	(2,068,455)	(2,076,982)	(796,094)	1,280,888
OTHER FINANCING SOURCES				
Operating transfers in	25,000	25,000	-	(25,000)
Capital lease proceeds	-	-	226,162	226,162
Sale of assets	41,000	49,527	141,438	91,911
Total other financing sources	66,000	74,527	367,600	293,073
NET CHANGE IN FUND BALANCES	(2,002,455)	(2,002,455)	(428,494)	1,573,961
FUND BALANCES, beginning of year	4,658,127	4,658,127	4,658,127	-
FUND BALANCES, end of year	\$ 2,655,672	\$ 2,655,672	\$ 4,229,633	\$ 1,573,961

SUPPLEMENTARY INFORMATION

Nonmajor funds – Special Revenue Funds

Historical Commission Fund - To account for revenues and expenses associated with the preservation and restoration activities of the Parker County Historical Society, a blended component unit of Parker County, Texas.

Estray Fund - To account for the proceeds and expenses associated with the capture and sale of stray livestock.

Abandoned Vehicle Fund - To account for the proceeds and expenses associated with abandoned vehicles sold at public auction.

Courthouse Security Fund - To account for proceeds and expenses associated with courthouse security measures.

Voter Registration Fund - Monies received by the County Clerk for registering new voters and keeping voter registration lists up to date.

Sheriff's Forfeiture Federal Share Fund - Monies received through federal forfeitures held for use by the Sheriff in drug enforcement activities.

Contract Elections Fund - Monies received and disbursed in conducting elections.

Pre-Trial Intervention Fund - To account for revenues and expenses associated with pre-trial intervention.

Sheriff's Forfeiture and Evidence Funds - Monies not returned to the defendant held for use by the Sheriff in drug enforcement activities.

Law Enforcement Officers Standards and Education (LEOSE) Fund - These funds are allocated by the Legislature to be used for continuing education of Law Enforcement Officers.

District Attorney State Supplement Fund - To account for revenues from the State and expenses associated with the District Attorney's office salary supplements and part time employees.

Special District Attorney Fund - To account for the collection of fees from felony hot checks (over \$750) and expenses associated with law enforcement supplemental salaries and equipment purchases.

Special County Attorney Fund - To account for the collection of fees from misdemeanor hot checks (under \$750) and expenses associated with law enforcement supplemental salaries and equipment purchases.

District Attorney Awarded Fund - To account for the proceeds and expenses associated with property seizures in criminal cases under current law.

Justice Technology Fund - To account for revenues and expenses associated with the justice of the peace technology.

Law Library Fund - The County and District Clerks collect fees which are used for publications and maintenance of the law library located on the second floor of the main courthouse.

Nonmajor funds – Special Revenue Funds (Continued)

Road and Bridge Escrow Fund - To account for funds held for road maintenance bonds.

Juvenile Probation Fees and Grant Fund - To account for proceeds collected at a local level and restricted for expenses in association with the social education of juvenile probationers and to account for the grant proceeds and expenses to support basic juvenile probation services and assist the board in adhering to the standards and policies.

Adult Probation Bond Fund - To account for revenues and expenses associated with the supervision bond fees of adult probationers in Parker County.

District Court Records Technology Fund - To account for revenues and expenses associated with the district court records technology.

Justice Court Security Fund - To account for the security protection for all justice of the peace courts.

County/District Technology Fund - To account for revenues and expenses associated with the district and county technology.

County Clerk Records Management Fund - To account for proceeds and expenses associated with record management and preservation by the County Clerk office as required by State Law.

County Clerk Vital Records Fund - To account for fees received and expenses associated with County Clerk employees to attend vital statistic training seminars.

Records Management County Wide Fund - To account for the proceeds and expenses associated with records management and preservation county wide as required by State Law.

District Clerk Records Management Fund - To account for the proceeds and expenses associated with record management and preservation by the District Clerk office as required by State Law.

Court Reporters Service Fund - To account for proceeds and expenses associated with court reporting services.

District Clerk Fund - The County collects fees for ADR services which are then paid out per a Contract that the County has with Dispute Resolution Services of North Texas.

Court Record Preservation Fund - To account for fees and related expenditures to preserve court records.

Documentation Preservation Fund - To account for the County records archive revenues.

Other Grant Funds - To account for grants not accounted for in other funds.

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

Special Revenue Funds					
	Historical Commission	Estray	Abandoned Vehicle	Courthouse Security	Voter Registration
ASSETS					
Cash	\$ 7,198	\$ 3,095	\$ 1,747	\$ 2,676	\$ 1,544
Investments	102,419	44,036	24,863	38,074	21,973
Receivables:					
Intergovernmental	-	-	-	-	-
Other	-	612	-	1,239	-
Total assets	\$ 109,617	\$ 47,743	\$ 26,610	\$ 41,989	\$ 23,517
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 26	\$ 200	\$ -	\$ -	\$ 350
Accrued salaries and benefits payable	-	-	-	1,982	-
Due to other governmental entities	-	-	-	-	-
Total liabilities	26	200	-	1,982	350
Fund balances:					
Restricted for state and federal programs	-	47,543	26,610	40,007	23,167
Committed to state and special programs	109,591	-	-	-	-
Total fund balances	109,591	47,543	26,610	40,007	23,167
Total liabilities and fund balances	\$ 109,617	\$ 47,743	\$ 26,610	\$ 41,989	\$ 23,517

Special Revenue Funds

Sheriff's Forfeiture Federal Share	Contract Elections	Pre-trial Intervention	Sheriff's Evidence	Sheriff's Forfeiture	LEOSE Education	District Attorney State Supplement	Special District Attorney	Special County Attorney	District Attorney Awarded
\$ 22,478	\$ 5,096	\$ 2,249	\$ 667	\$ 17,685	\$ 699	\$ 397	\$ 1,292	\$ 310	\$ 31,057
239,930	72,505	32,005	9,497	108,657	9,948	5,651	18,380	4,404	201,178
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	120	-	-	-	-
\$ 262,408	\$ 77,601	\$ 34,254	\$ 10,164	\$ 126,342	\$ 10,767	\$ 6,048	\$ 19,672	\$ 4,714	\$ 232,235
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 337	\$ -	\$ -	\$ 286	\$ -
-	-	-	-	-	-	1,125	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	337	1,125	-	286	-
262,408	77,601	34,254	10,164	126,342	10,430	4,923	19,672	4,428	232,235
-	-	-	-	-	-	-	-	-	-
262,408	77,601	34,254	10,164	126,342	10,430	4,923	19,672	4,428	232,235
\$ 262,408	\$ 77,601	\$ 34,254	\$ 10,164	\$ 126,342	\$ 10,767	\$ 6,048	\$ 19,672	\$ 4,714	\$ 232,235

**PARKER COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
SEPTEMBER 30, 2016**

	Special Revenue Funds						
	Justice Technology Fund	Law Library	Road and Bridge Escrow	Juvenile Probation Fees and Grant Funds	Adult Probation Bond Fund	District Court Records Technology	Justice Court Security
ASSETS							
Cash	\$ 28,175	\$ 17,098	\$ 7,920	\$ 5,254	\$ 2,240	\$ 4,572	\$ 6,471
Investments	400,887	243,273	112,690	74,772	31,878	65,055	92,074
Receivables:							
Intergovernmental	-	-	-	85,891	-	-	-
Other	204	2,066	-	-	-	1,460	52
Total assets	\$ 429,266	\$ 262,437	\$ 120,610	\$ 165,917	\$ 34,118	\$ 71,087	\$ 98,597
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 495	\$ 1,209	\$ -	\$ -	\$ 563	\$ -	\$ -
Accrued salaries and benefits payable	-	127	-	70,576	-	-	-
Due to other governmental entities	-	-	120,610	-	-	-	-
Total liabilities	495	1,336	120,610	70,576	563	-	-
Fund balances:							
Restricted for state and federal programs	428,771	261,101	-	95,341	33,555	71,087	98,597
Committed to state and special programs	-	-	-	-	-	-	-
Total fund balances	428,771	261,101	-	95,341	33,555	71,087	98,597
Total liabilities and fund balances	\$ 429,266	\$ 262,437	\$ 120,610	\$ 165,917	\$ 34,118	\$ 71,087	\$ 98,597

Special Revenue Funds

County/ District Technology Fund	County Clerk Records Management	County Clerk Vital Records	Records Management County Wide	District Clerk Records Management	Court Reporters Service	District Clerk	Court Record Preservation	Document Preservation	Other Grant Funds	Total Special Revenue Funds
\$ 1,328 18,903	\$ 48,616 691,728	\$ 1,982 28,199	\$ 16,880 240,174	\$ 6,830 97,181	\$ 17,648 251,106	\$ 14,279 203,168	\$ 9,843 140,053	\$ 35,160 500,280	\$ 4,749 67,576	\$ 327,235 4,192,517
- 114	- 1,610	- 25	- 1,578	- 819	- 1,430	- 1,033	- 1,537	- 1,830	9,589 -	95,480 15,729
\$ 20,345	\$ 741,954	\$ 30,206	\$ 258,632	\$ 104,830	\$ 270,184	\$ 218,480	\$ 151,433	\$ 537,270	\$ 81,914	\$ 4,630,961
\$ -	\$ 14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 953	\$ 4,433
-	2,518	-	-	-	-	-	-	-	-	76,328
-	-	-	-	-	-	-	-	-	-	120,610
-	2,532	-	-	-	-	-	-	-	953	201,371
20,345	739,422	30,206	258,632	104,830	270,184	218,480	151,433	537,270	80,961	4,319,999
-	-	-	-	-	-	-	-	-	-	109,591
20,345	739,422	30,206	258,632	104,830	270,184	218,480	151,433	537,270	80,961	4,429,590
\$ 20,345	\$ 741,954	\$ 30,206	\$ 258,632	\$ 104,830	\$ 270,184	\$ 218,480	\$ 151,433	\$ 537,270	\$ 81,914	\$ 4,630,961

PARKER COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds					
	Historical Commission	Estray	Abandoned Vehicle	Courthouse Security	Voter Registration	Sheriff's Forfeiture Federal Share
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 6,010	\$ 12,160
Fees of office	-	-	-	78,092	-	-
Interest	-	-	-	-	-	-
Miscellaneous	1,376	19,146	5,800	-	-	-
Total revenues	1,376	19,146	5,800	78,092	6,010	12,160
EXPENDITURES						
Current						
General government	818	-	-	-	8,322	-
Public safety	-	-	-	75,039	-	-
Law enforcement	-	1,052	5,669	-	-	28,403
Judicial	-	-	-	-	-	-
Recording	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total expenditures	818	1,052	5,669	75,039	8,322	28,403
Excess (deficiency) of revenues						
Net changes in fund balances	558	18,094	131	3,053	(2,312)	(16,243)
OTHER FINANCING USES						
Proceeds from sale of capital assets	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total financing other uses	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	558	18,094	131	3,053	(2,312)	(16,243)
Fund balances (deficit) - beginning of year	109,033	29,449	26,479	36,954	25,479	278,651
Fund balances - end of year	\$ 109,591	\$ 47,543	\$ 26,610	\$ 40,007	\$ 23,167	\$ 262,408

Special Revenue Funds

Contract Elections	Pre-trial Intervention	Sheriff's Evidence	Sheriff's Forfeiture	LEOSE Education	District Attorney State Supplement	Special District Attorney	Special County Attorney	District Attorney Awarded	Justice Technology Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,500	\$ -	\$ -	\$ -	\$ -
152,824	6,091	-	-	3,813	-	989	4,971	-	40,380
-	-	-	-	-	-	36	6	392	-
-	-	-	102,482	-	-	-	-	79,660	-
152,824	6,091	-	102,482	3,813	22,500	1,025	4,977	80,052	40,380
127,834	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	13,533	3,514	-	-	-	-	-
-	-	-	-	896	24,872	-	3,088	13,562	22,215
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
127,834	-	-	13,533	4,410	24,872	-	3,088	13,562	22,215
24,990	6,091	-	88,949	(597)	(2,372)	1,025	1,889	66,490	18,165
-	-	-	1,777	-	-	-	-	-	-
-	-	-	-	-	7,295	-	-	-	-
-	-	-	-	-	-	-	-	(7,295)	-
-	-	-	1,777	-	7,295	-	-	(7,295)	-
24,990	6,091	-	90,726	(597)	4,923	1,025	1,889	59,195	18,165
52,611	28,163	10,164	35,616	11,027	-	18,647	2,539	173,040	410,606
\$ 77,601	\$ 34,254	\$ 10,164	\$ 126,342	\$ 10,430	\$ 4,923	\$ 19,672	\$ 4,428	\$ 232,235	\$ 428,771

PARKER COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (DEFICIT)
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds						
	Law Library	Road and Bridge Escrow	Juvenile Probation Fees and Grant Funds	Adult Probation Bond Fund	District Court Records Technology	Justice Court Security	County/ District Technology Fund
REVENUES							
Intergovernmental	\$ -	\$ -	\$ 515,345	\$ -	\$ -	\$ -	\$ -
Fees of office	43,128	-	18,325	110,472	14,397	10,000	4,006
Interest	-	-	27	68	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	43,128	-	533,697	110,540	14,397	10,000	4,006
EXPENDITURES							
Current							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-
Judicial	19,271	-	548,160	117,666	-	2,849	-
Recording	-	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	11,455	-
Debt service	-	-	-	-	-	-	-
Total expenditures	19,271	-	548,160	117,666	-	14,304	-
Excess (deficiency) of revenues							
Net changes in fund balances	23,857	-	(14,463)	(7,126)	14,397	(4,304)	4,006
OTHER FINANCING USES							
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
Total financing other uses	-	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	23,857	-	(14,463)	(7,126)	14,397	(4,304)	4,006
Fund balances (deficit) - beginning of year	237,244	-	109,804	40,681	56,690	102,901	16,339
Fund balances - end of year	\$ 261,101	\$ -	\$ 95,341	\$ 33,555	\$ 71,087	\$ 98,597	\$ 20,345

Special Revenue Funds

County Clerk Records Management	County Clerk Vital Records	Records Management County Wide	District Clerk Records Management	Court Reporters Service	District Clerk	Court Record Preservation	Document Preservation	Other Grant Funds	Total Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 493,235	\$ 1,049,250
295,540	5,225	38,644	8,193	26,357	21,562	25,141	303,773	12,963	1,224,886
1,240	-	-	-	-	-	-	955	-	2,724
-	-	-	-	-	-	-	-	-	208,464
296,780	5,225	38,644	8,193	26,357	21,562	25,141	304,728	506,198	2,485,324
-	-	-	-	-	-	-	-	391,668	528,642
-	-	-	-	-	-	-	-	42,066	117,105
-	-	-	-	-	-	-	-	-	52,171
-	-	-	-	-	-	-	-	56,417	808,996
67,437	2,100	-	1,466	-	-	-	319,273	-	390,276
-	-	-	-	-	-	-	-	-	11,455
67,437	2,100	-	1,466	-	-	-	319,273	490,151	1,908,645
229,343	3,125	38,644	6,727	26,357	21,562	25,141	(14,545)	16,047	576,679
-	-	-	-	-	-	-	-	-	1,777
-	-	-	-	-	-	-	-	-	7,295
-	-	-	-	-	-	-	-	-	(7,295)
-	-	-	-	-	-	-	-	-	1,777
229,343	3,125	38,644	6,727	26,357	21,562	25,141	(14,545)	16,047	578,456
510,079	27,081	219,988	98,103	243,827	196,918	126,292	551,815	64,914	3,851,134
\$ 739,422	\$ 30,206	\$ 258,632	\$ 104,830	\$ 270,184	\$ 218,480	\$ 151,433	\$ 537,270	\$ 80,961	\$ 4,429,590

FIDUCIARY FUND

Agency Funds - To account for assets held by the County as an agent for individuals, private organizations, other governmental units or other funds.

Agency Funds

Sheriff's Jail Trust Account - This account is used to temporarily hold cash bonds, fines, and sheriff's sale proceeds.

Auto Registration Account - To account for monies received for registering automobiles in Parker County.

Vehicle Inventory Tax Escrow - To account for monies collected and held in escrow for vehicle inventory tax account.

County Clerk's Court Fund Account - To account for monies received from individuals or the adult probation department to pay for court fees.

County Attorney's Escrow Account - To account for monies received by the County Attorney's office for NSF checks.

County Clerk's Deposit Account - To account for monies received from court issued bonds.

County Clerk's Registry Account - To account for monies used for condemnation suits and for defendants to reimburse the County Treasurer for court appointed attorneys.

County Clerk's Individual Trust Account - To account for monies in trust for several individuals.

District Court Deposit Account - To account for monies received by the District Clerk for court fees.

District Clerk's Registry Account - To account for monies received by court order in care of an individual. Also cash bonds are accounted for in this account.

District Clerk's Individual Trust Accounts - To account for monies in trust for several individuals.

Sheriff's Office Inmate Trust Account - To account for inmates' monies which were confiscated during arrests and to hold deposits from family members of the inmates.

County Jail Commissary Fund - To account for funds held in the inmates' names for personal purchases.

Adult Probation Funds - To account for funds relating to the adult probation supervision grant and the adult probation CCP grant.

Agency Funds (Continued)

V.I.T. Interest Account - To account for interest earned on the Vehicle Inventory Tax for the T.A.C. to defray the cost of administration of the prepayment procedure.

District Attorney Trust Account - To account for monies in trust for several individuals.

County Clerk's Probate Fund - To account for monies received by court order in care of an individual.

TPWD Funds Account - To account for monies received for the taxation of water vehicles for Texas Parks and Wildlife Department.

Juvenile Probation Restitution Account - To account for monies received by Juvenile Probation for probation fees received prior to distribution to the County.

**PARKER COUNTY, TEXAS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –
 AGENCY FUNDS
 SEPTEMBER 30, 2016**

	Sheriff's Jail Trust Account	Auto Registration Account	Vehicle Inventory Tax Escrow	County Clerk's Court Fund Account	County Attorney's Escrow Account	County Clerk's Deposit Account
ASSETS						
Cash	\$ 19,441	\$ 586,450	\$ 803,496	\$ 53,350	\$ 3,805	\$ 510,884
Investments	-	-	-	-	-	-
Total assets	<u>\$ 19,441</u>	<u>\$ 586,450</u>	<u>\$ 803,496</u>	<u>\$ 53,350</u>	<u>\$ 3,805</u>	<u>\$ 510,884</u>
LIABILITIES						
Deposits held and due to others	<u>\$ 19,441</u>	<u>\$ 586,450</u>	<u>\$ 803,496</u>	<u>\$ 53,350</u>	<u>\$ 3,805</u>	<u>\$ 510,884</u>
Total liabilities	<u>\$ 19,441</u>	<u>\$ 586,450</u>	<u>\$ 803,496</u>	<u>\$ 53,350</u>	<u>\$ 3,805</u>	<u>\$ 510,884</u>

**PARKER COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS (CONTINUED)
SEPTEMBER 30, 2016**

	County Clerk's Registry Account	County Clerk's Individual Trust Account	District Court Deposit Account	District Clerk's Registry Account	District Clerk's Individual Trust Account	Sherriff's Inmate Trust Account	County Jail Commissary Fund
ASSETS							
Cash	\$ 815,317	\$ 550,468	\$ 147,756	\$ 897,387	\$ 43,296	\$ 39,327	\$ 54,268
Investments	-	-	-	-	-	-	-
Total assets	<u>\$ 815,317</u>	<u>\$ 550,468</u>	<u>\$ 147,756</u>	<u>\$ 897,387</u>	<u>\$ 43,296</u>	<u>\$ 39,327</u>	<u>\$ 54,268</u>
LIABILITIES							
Deposits held and due to others	<u>\$ 815,317</u>	<u>\$ 550,468</u>	<u>\$ 147,756</u>	<u>\$ 897,387</u>	<u>\$ 43,296</u>	<u>\$ 39,327</u>	<u>\$ 54,268</u>
Total liabilities	<u>\$ 815,317</u>	<u>\$ 550,468</u>	<u>\$ 147,756</u>	<u>\$ 897,387</u>	<u>\$ 43,296</u>	<u>\$ 39,327</u>	<u>\$ 54,268</u>

**PARKER COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES –
AGENCY FUNDS (CONTINUED)
SEPTEMBER 30, 2016**

	Adult Probation Fund	V.I.T Interest Account	District Attorney Trust Account	County Clerk's Probate Fund	TPWD Funds Account	Juvenile Probation Restitution Account	Total Agency Funds
ASSETS							
Cash	\$ 33,199	\$ 48,843	\$ 84,875	\$ 31,319	\$ 1,965	\$ 5,387	\$ 4,730,833
Investments	472,365	-	-	-	-	-	472,365
Total assets	<u>\$ 505,564</u>	<u>\$ 48,843</u>	<u>\$ 84,875</u>	<u>\$ 31,319</u>	<u>\$ 1,965</u>	<u>\$ 5,387</u>	<u>\$ 5,203,198</u>
LIABILITIES							
Deposits held and due to others	<u>\$ 505,564</u>	<u>\$ 48,843</u>	<u>\$ 84,875</u>	<u>\$ 31,319</u>	<u>\$ 1,965</u>	<u>\$ 5,387</u>	<u>\$ 5,203,198</u>
Total liabilities	<u>\$ 505,564</u>	<u>\$ 48,843</u>	<u>\$ 84,875</u>	<u>\$ 31,319</u>	<u>\$ 1,965</u>	<u>\$ 5,387</u>	<u>\$ 5,203,198</u>

STATE AWARDS SECTION

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

Honorable Judge and Members of
the Commissioners' Court
Parker 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 Parker County, Texas (the County) as of and for the year ended September 30, 2016 and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 24, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a deficiency in internal control that we consider to be a significant deficiency which is described in the accompanying schedule of findings and question costs as 2016-001.

Parker County, Texas

Page 2

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.

Parker County's Response to Findings

The County's response to the findings identified in our audit is described in the accompanying corrective action plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
July 24, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH *THE STATE OF TEXAS*
UNIFORM GRANT MANAGEMENT STANDARDS

Honorable Judge and Members of
the Commissioners' Court
Parker County, Texas

Report on Compliance for Each Major State Program

We have audited Parker County, Texas' (the County) compliance with the types of compliance requirements described in the *State of Texas Uniform Grant Management Standards (UGMS)* that could have direct and material effect on the County's major state program for the year ended September 30, 2016. The County's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's major state program 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 *State of Texas Uniform Grant Management Standards (UGMS)*. Those standards and UGMS 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 state program occurred. An audit includes examining, on a test basis, evidence about Parker 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 state program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major State Program

In our opinion, Parker County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the year ended September 30, 2016.

Report on Internal Control over Compliance

Management of Parker 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 Parker County's internal control over compliance with the types of requirements that could have a direct and material effect on the major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with UGMS, 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 Parker 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 state 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 state 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 state 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 have not been 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 UGMS. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Fort Worth, Texas
July 24, 2017

**PARKER COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2016**

State Grantor/Pass-Through Grantor Program Title	Pass-Through Disbursements and Expenditures
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>	
County Energy Transportation Reinvestment Zone Grant (CERTZ)	\$ 193,019
Total Texas Department of Transportation	193,019
<u>TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</u>	
Emissions Reduction Incentive Grant (ERIG)	479,500
Low Income Vehicle Repair Assistance, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP)	352,905
Total Texas Commission on Environmental Quality	832,405
<u>COMMISSION ON STATE EMERGENCY COMMUNICATIONS</u>	
Passed Through North Central Texas Council of Governments Texas Rural Addressing Maintenance Project (911 Grant)	25,646
Total Commission on State Emergency Communications	25,646
<u>TEXAS DEPARTMENT OF MOTOR VEHICLES</u>	
Passed Through Tarrant County Tarrant Regional Auto Crimes Task Force	66,515
Total Texas Department of Transportation	66,515
<u>TEXAS STATE COMPTROLLER</u>	
County Lateral Road Funds	78,699
Total Texas State Comptroller	78,699
<u>TEXAS DEPARTMENT OF CRIMINAL JUSTICE</u>	
Statewide Automated Victim Notification Service (SAVNS grant)	16,500
Total Texas Indigent Defense Commission	16,500
<u>TEXAS INDIGENT DEFENSE COMMISSION</u>	
Indigent Defense Grant	129,565
Total Texas Indigent Defense Commission	129,565
<u>TEXAS DEPARTMENT OF STATE HEALTH SERVICES</u>	
Passed Through Texas State University Tobacco Enforcement Program	5,400
Passed Through Parker County Hospital Tobacco Compliance Program	7,857
Total U.S. Department of Health and Human Services	13,257
<u>TEXAS SECRETARY OF STATE</u>	
Chapter 19 Funds	6,010
Total Texas Secretary of State	6,010
Total Expenditures of State Awards	\$ 1,361,616

PARKER COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of state awards includes the state grant activity of Parker County, Texas under programs of the state of Texas for the fiscal year ended September 30, 2016.

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in UGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement. See Note 1 of the notes to the financial statements for Parker County's significant accounting policies.

**PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(s) identified that are not considered to be material weakness(es)? Yes None reported
- Noncompliance material to financial statements noted? Yes No

State Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(s) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State of Texas Uniform Grant Management Standards? Yes No

Identification of major programs:

Emissions Reduction Incentive Grant
Low Income Vehicle Repair, Assistance, Retrofit,
and Accelerated Vehicle Retirement Program

Dollar threshold used to distinguish between type A and type B programs? \$300,000

Auditee qualified as low-risk auditee? Yes No

**PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2016-001

Significant Deficiency – Capital Assets

Criteria:

In accordance with *Governmental Auditing Standards*, governments are required to report all capital assets, including accumulated depreciation, on the government wide statement of net position with the related gains, losses and depreciation expense recognized on the government wide statement of activities.

Context:

During the year ended September 30, 2016, the County did not fully implement a method to track additions to construction projects in process.

Effect:

Without a fully implemented method to track construction in progress, it was necessary to make modifications to the listing to accurately reflect current year activity, however beginning balance properly rolled forward from the prior year and current year acquisitions were properly recorded.

Recommendation:

We recommend that the County fully implement processes to track construction in progress and maintain supporting documentation as well as controls to review and monitor the process throughout the year.

Management's Response:

See Corrective Action Plan

**PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2016**

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

No findings.

**PARKER COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED
YEAR ENDED SEPTEMBER 30, 2016**

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Federal Award Findings and Questioned Costs

Finding 2015-001: Material Weakness – Capital Assets

Status: See finding 2015-001 reported as a significant deficiency as the County has partially implemented it's planned corrective action plan.

**PARKER COUNTY, TEXAS
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2016**

Finding 2016-001

Changes have been fully implemented to reconcile the capital assets acquisitions, construction in progress, depreciation and disposals monthly instead of annually. These changes were implemented as of July 2017. Mike Rhoten, County Auditor, was responsible for implementation and is responsible for monitoring.