

Parker County, Texas

Annual Financial Report

September 30, 2017

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Financial Section

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

Management's Responsibility for the Financial Statements

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

The Honorable County Judge
and County Commissioners' Court
Parker County, Texas

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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 and the Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual General Fund and Lateral Road Fund 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 Honorable County Judge
and County Commissioners' Court
Parker County, Texas

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 June 29, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to 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
June 29, 2018

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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, 2017. The MD&A should be read in conjunction with the accompanying financial statements and the notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources of the County's at September 30, 2017 by \$1,346,239 (net position). Of this amount, \$10,743,597 is restricted for specific purposes and \$(17,108,139) represents a deficit in unrestricted net position. Net position also reflects net investment in capital assets of \$7,710,781.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at September 30, 2017 of \$67,206,825; of which \$5,980,576 represents non-spendable fund balance, \$44,225,688 represents fund balance restricted for funding of debt service, capital projects, the lateral road fund, and federal and state programs, \$109,885 represents fund balance committed to state and special programs, and \$16,890,676 or 25% represents unassigned fund balance.
- The general fund reports a fund balance of \$17,066,614; of which \$41,619 represents nonspendable fund balance with the remaining reported as unassigned. Unassigned fund balance for the General fund equals 40% 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).

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 17 and 18 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 19 and 21 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 23 through 25 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 26 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 27 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 53 of this report. Combining statements and schedules are also included in the report as other supplementary information and can be found on pages 55 through 70.

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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,346,239 as of September 30, 2017.

Parker County's Net Position

	Governmental Activities	
	2017	2016
Current and other assets	\$ 80,868,509	\$ 44,412,236
Capital assets, net of depreciation	70,660,255	58,699,736
Total assets	151,528,764	103,111,972
Deferred outflow of resources	13,072,213	14,846,588
Long-term liabilities, including due in one year	155,058,704	116,382,409
Other liabilities	7,597,405	5,578,756
Unearned revenue	57,935.00	-
Total liabilities	162,714,044	121,961,165
Deferred inflow of resources	540,694	365,769
Net position		
Net investment in capital assets	7,710,781	1,769,282
Restricted	10,743,597	8,857,818
Unrestricted	(17,108,139)	(14,995,474)
Total net position	\$ 1,346,239	\$ (4,368,374)

Net 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 \$7,710,781. 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 \$10,743,597 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 \$17,108,139, which is the result of prior year conveyance of assets to other governmental entities.

The County's governmental activities increased net position by \$5,714,613 during the current year. The total cost of all governmental activities this year was \$62,200,322. The amount that our taxpayers paid for these activities through property taxes was \$42,274,338 or 68%.

Parker County's Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues		
Program revenues		
Charges for services	\$ 10,476,895	\$ 9,719,308
Operating grants and contributions	6,039,109	5,003,694
General revenues		
Property taxes	42,274,338	42,526,269
Sales and other taxes	8,322,184	7,678,049
Investment earnings	402,500	74,781
Other	399,909	221,137
	67,914,935	65,223,238
Expenses		
General government	10,059,033	9,787,867
Roads and bridges	10,242,840	10,126,402
Public safety	1,447,004	1,751,812
Law enforcement	20,504,280	19,173,480
Judicial	11,563,895	10,235,512
Health and welfare	751,538	643,097
Recording	3,023,130	2,907,746
Tax assessing-collecting	1,139,151	1,044,012
Interest and other costs	3,469,451	3,658,558
	62,200,322	59,328,486
Change in net position	5,714,613	5,894,752
Net position-beginning	(4,368,374)	(10,263,126)
Net position-ending	\$ 1,346,239	\$ (4,368,374)

Revenues by Source

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

- Program revenues of \$16,516,004 equaled 27% of governmental expenses of \$62,200,322. As expected, general revenues in the amount of \$51,398,931 provided the remaining support and coverage for expenses.
- 33% or \$20,504,280 of the expenses are law enforcement while this category provided 15% of total revenues.
- Roads and bridges and judicial account for \$21,806,735 or 35% of expenses while only providing about 12% of total revenues.
- Operating grant revenues and contributions comprised about 10% 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 \$67,206,825. An increase of \$34,779,013 in comparison with the prior year. Approximately \$16,890,676 or 25% 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 \$5,980,576, committed fund balance of \$109,885, and restricted fund balance of \$ 44,225,688. 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 \$1,217,848, and fund capital projects in the amount of \$33,034,706, lateral road in the amount of \$5,180,753, and federal and state programs in the amount of \$4,792,381.

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 \$17,066,614; of which \$41,619 was nonspendable fund balance, \$134,319 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 40%.

The fund balance of the County's general fund increased by \$2,993,051, which is primarily due to less expenditures than revenue to operate the County.

The debt service fund has a total fund balance of \$1,217,848, all of which is restricted for debt service. The increase in debt service fund was \$416,667.

The capital projects funds had a total fund balance of \$38,973,663, \$5,938,957 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 increase in fund balance during the current year in the capital projects funds was \$30,079,818 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 \$5,180,753, all of which is restricted for maintenance and construction of County roads and bridges. The net increase in fund balance during the current year in the lateral road fund was \$951,120 due to continued healthy property tax collections and less capital outlay than in the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original fiscal year 2017 budget was adopted in September 2016, with total general fund expenditures in the amount of \$43,984,835.

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 \$2,839,273 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 \$2,027,680 less than budgeted primarily due to lower costs in general government and judicial expenditures than anticipated.

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, 2017, capital assets, net of accumulated depreciation, in the governmental activities totaled \$70,660,255. Depreciation on capital assets is recognized in the government-wide financial statements. Annual depreciation for buildings, improvements, infrastructure and machinery and equipment totaled \$4,118,015.

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

	Governmental Activities	
	2017	2016
Land	\$ 9,971,811	\$ 2,701,651
Work in progress	6,355,759	5,410,409
Buildings and improvements	24,819,857	25,921,947
Infrastructure	20,180,454	17,989,520
Office furniture and equipment	3,503,614	787,620
Transportation equipment	1,416,336	1,299,649
Road maintenance equipment	4,292,444	4,439,211
Emergency management equipment	29,600	53,989
Other	90,380	95,740
	\$ 70,660,255	\$ 58,699,736
Total		

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

Long-term debt and capital leases. As of September 30, 2017, the County had unlimited tax road bonds, tax notes, and general obligation refunding bonds of \$125,055,000. Total capital leases payable were \$4,465,437. During the year, the County issued tax road bonds which are discussed in Note 7.

The County's total property tax rate for fiscal year 2017 was \$0.418651 per \$100 assessed valuation, of which \$0.070000 was for annual debt service, \$0.348651 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 6%, 76% and 99% 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.

Lateral Road Fund	Debt Service Fund
\$ 9,114,558	\$ 7,245,553
2,907,855	50,502
12,022,413	7,296,055

Parker County's Outstanding Debt

	Governmental Activities	
	2017	2016
Unlimited tax road bonds	\$ 74,545,000	\$ 76,280,000
Tax notes	2,775,000	3,175,000
General obligation refunding bonds	11,410,000	12,705,000
Capital leases payable	4,465,437	2,569,651
Total	\$ 93,195,437	\$ 94,729,651

Additional information on the County's long-term debt can be found in Note 7 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 2018, 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 5.5%.

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.

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Basic Financial Statements

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Parker County, Texas
Statement of Net Position
September 30, 2017

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 5,324,699
Investments	65,766,513
Receivables, net of allowance	9,540,678
Prepaid expenses and other assets	236,619
Land and work in progress	16,327,570
Other capital assets, net of depreciation	54,332,685
	<hr/>
Total assets	151,528,764
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	5,374,756
Deferred outflows related to pension	7,697,457
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Total deferred outflows of resources	13,072,213
LIABILITIES	
Accounts payable	5,376,332
Accrued salaries and benefits payable	1,222,502
Accrued interest payable	751,613
Due to other governmental entities	246,958
Unearned revenue	57,935
Noncurrent liabilities	
Due within one year	6,132,896
Due in more than one year	148,925,808
	<hr/>
Total liabilities	162,714,044
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	540,694
	<hr/>
Total deferred inflows of resources	
NET POSITION	
Net investment in capital assets	7,710,781
Restricted for	
Debt service	582,759
Lateral road	5,368,457
State and federal programs	4,792,381
Unrestricted	(17,108,139)
	<hr/>
Total net position	<u>\$ 1,346,239</u>

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

Parker County, Texas
Statement of Activities
Year Ended September 30, 2017

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	\$ 10,059,033	\$ 327,662	\$ 550,050	\$ (9,181,321)
Roads and bridges	10,242,840	2,651,337	2,133,281	(5,458,222)
Public safety	1,447,006	85,056	239,198	(1,122,752)
Law enforcement	20,504,280	1,028,508	2,072,619	(17,403,153)
Judicial	11,563,895	2,403,976	1,018,315	(8,141,604)
Health and welfare	751,538	327,567	25,646	(398,325)
Recording	3,023,130	1,329,427	-	(1,693,703)
Tax assessing-collecting	1,139,151	2,323,362	-	1,184,211
Interest and other costs	3,469,451	-	-	(3,469,451)
Total primary government	<u>\$ 62,200,322</u>	<u>\$ 10,476,895</u>	<u>\$ 6,039,109</u>	(45,684,318)

General revenue	
Property taxes	42,274,338
Sales and other taxes	8,322,184
Investment earnings	402,500
Other general revenue	399,909
Total general revenues	<u>51,398,931</u>
Change in net position	5,714,613
Net position, beginning of year	<u>(4,368,374)</u>
Net position, end of year	<u>\$ 1,346,239</u>

Parker County, Texas
 Balance Sheet –
 Governmental Funds
 September 30, 2017

	General	Lateral Road	Capital Projects Tax Road Bonds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 337,942	\$ 98,889	\$ 647,806	\$ 21,662	\$ 131,504	\$ 1,237,803
Investments	18,186,756	5,242,154	34,340,158	1,148,353	4,773,317	63,690,738
Receivables, net of allowance						
Property taxes	604,411	245,638	-	160,391	-	1,010,440
Intergovernmental	2,084,530	-	5,938,957	-	55,501	8,078,988
Other	125,703	294,043	-	3,966	22,237	445,949
Prepaid items and other assets	41,619	-	-	-	100,000	141,619
Total assets	21,380,961	5,880,724	40,926,921	1,334,372	5,082,559	74,605,537
Total assets and deferred outflows of resources	\$ 21,380,961	\$ 5,880,724	\$ 40,926,921	\$ 1,334,372	\$ 5,082,559	\$ 74,605,537
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 2,884,136	\$ 285,621	\$ 1,953,258	\$ -	\$ 11,736	\$ 5,134,751
Accrued salaries and benefits payable	915,925	226,646	-	-	79,931	1,222,502
Due to other governmental entities	81,948	-	-	-	165,010	246,958
Unearned revenue	-	-	-	-	57,935	57,935
Total liabilities	3,882,009	512,267	1,953,258	-	314,612	6,662,146
Deferred inflows of resources						
Property taxes	432,338	187,704	-	116,524	-	736,566
Total deferred inflows of resources	432,338	187,704	-	116,524	-	736,566
Fund balances						
Nonspendable						
Inventory	38,116	-	-	-	-	38,116
Prepaid	3,503	-	-	-	-	3,503
Long term receivable	-	-	5,938,957	-	-	5,938,957
Restricted for						
Debt service	-	-	-	1,217,848	-	1,217,848
Capital projects	-	-	33,034,706	-	-	33,034,706
Lateral road	-	5,180,753	-	-	-	5,180,753
Federal and state programs	134,319	-	-	-	4,658,062	4,792,381
Committed to state and special programs	-	-	-	-	109,885	109,885
Unassigned	16,890,676	-	-	-	-	16,890,676
Total fund balances	17,066,614	5,180,753	38,973,663	1,217,848	4,767,947	67,206,825
Total liabilities, deferred inflows of resources and fund balances	\$ 21,380,961	\$ 5,880,724	\$ 40,926,921	\$ 1,334,372	\$ 5,082,559	\$ 74,605,537

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, 2017

Total fund balances -- governmental funds		\$ 67,206,825
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.		
		70,660,255
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	7,697,457	
Deferred inflows related to pension	(540,694)	
Net of deferred outflows and inflows	<u>7,156,763</u>	7,156,763
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.		
		(751,613)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.		
		736,566
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	(125,055,000)	
Capital leases	(4,465,437)	
Deferred premiums on issuance	(11,543,365)	
Pension liability	(13,154,188)	
Compensated absences	(840,714)	
Total long-term liabilities	<u>(155,058,704)</u>	(155,058,704)
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.		
		5,374,756
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>6,021,391</u>
Total net position--governmental activities		<u>\$ 1,346,239</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, 2017

	General	Lateral Road	Capital Projects Tax Road Bonds	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 27,350,984	\$ 9,114,558	\$ -	\$ 7,245,553	\$ -	\$ 43,711,095
Sales taxes	8,149,310	-	-	-	-	8,149,310
Intergovernmental	3,018,551	370,220	218,952	-	1,141,051	4,748,774
Fees of office	5,941,156	1,894,521	-	-	1,307,497	9,143,174
Fines and forfeitures	-	352,216	-	-	-	352,216
Interest	294,801	67,623	-	50,502	19,701	432,627
Royalties	54,526	-	-	-	-	54,526
Miscellaneous	661,319	223,275	1,705,000	-	74,880	2,664,474
Total revenues	45,470,647	12,022,413	1,923,952	7,296,055	2,543,129	69,256,196
EXPENDITURES						
Current						
General government	7,619,156	-	206,047	-	503,838	8,329,041
Roads and bridges	-	7,981,614	-	-	-	7,981,614
Public safety	558,019	-	-	-	115,875	673,894
Law enforcement	18,523,150	-	-	-	312,067	18,835,217
Judicial	9,849,041	-	-	-	938,286	10,787,327
Health and welfare	687,464	-	-	-	-	687,464
Recording	2,422,657	-	-	-	361,006	2,783,663
Tax assessing-collecting	1,061,768	-	-	-	-	1,061,768
Capital outlay	835,208	2,943,820	11,642,939	-	-	15,421,967
Debt service						
Principal	816,794	170,560	-	3,430,000	-	4,417,354
Interest and other charges	154,990	23,974	-	3,449,388	-	3,628,352
Bond issuance costs	-	-	465,074	-	-	465,074
Total expenditures	42,528,247	11,119,968	12,314,060	6,879,388	2,231,072	75,072,735
Excess (deficiency) of revenues over (under) expenditures	2,942,400	902,445	(10,390,108)	416,667	312,057	(5,816,539)
OTHER FINANCING SOURCES (USES)						
Proceeds on sale of assets	50,651	48,675	-	-	26,300	125,626
Bond proceeds	-	-	36,325,000	-	-	36,325,000
Premium on long term debt issued	-	-	4,144,926	-	-	4,144,926
Total other financing sources (uses)	50,651	48,675	40,469,926	-	26,300	40,595,552
NET CHANGES IN FUND BALANCES	2,993,051	951,120	30,079,818	416,667	338,357	34,779,013
FUND BALANCES, beginning of year	14,073,563	4,229,633	8,893,845	801,181	4,429,590	32,427,812
FUND BALANCES, end of year	\$ 17,066,614	\$ 5,180,753	\$ 38,973,663	\$ 1,217,848	\$ 4,767,947	\$ 67,206,825

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, 2017

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

Net changes in fund balances - total governmental funds	\$ 34,779,013
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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.

Capital outlay	16,078,534	
Depreciation	(4,118,015)	
Net capital outlay	<u>11,960,519</u>	11,960,519

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,436,757)
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Capital lease provides current financial resources to governmental funds while increasing long-term liabilities in the statement of net position.	(2,883,364)
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Bond proceeds provide current financial resources to governmental funds while increasing long-term liabilities in the statement of net position.	(36,325,000)
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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.	(2,082,282)
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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.	4,417,578
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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:

Amortization of deferred loss on refunding	(374,630)	
Amortization of premium from bond issuance	652,892	
Premium addition from bond issuance	(4,144,926)	
Increase in accrued interest payable	(248,123)	
Decrease in compensated absences	114,136	
Net increase in expenditures	<u>(4,000,651)</u>	(4,000,651)

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>1,285,557</u>
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Change in net position of governmental activities - statement of activities	<u>\$ 5,714,613</u>
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Parker County, Texas
Statement of Net Position –
Proprietary Fund
September 30, 2017

	Insurance Escrow
	<hr/>
ASSETS	
Cash	\$ 4,086,895
Investments	2,075,775
Receivables, net of allowance	5,301
Prepaid items and other assets	95,000
	<hr/>
Total assets	6,262,971
 LIABILITIES	
Accounts payable	211,707
Accrued salaries and benefits payable	29,873
	<hr/>
Total liabilities	241,580
	<hr/>
NET POSITION	
Unrestricted	6,021,391
	<hr/>
TOTAL NET POSITION	\$ 6,021,391
	<hr/> <hr/>

Parker County, Texas

Statement of Revenues, Expenses and Changes in
Net Position – Proprietary Fund
Year Ended September 30, 2017

	<u>Insurance Escrow</u>
OPERATING REVENUES	
Contributions	\$ 7,475,591
Total operating revenues	7,475,591
OPERATING EXPENSES	
Contractual	6,349,009
Total operating expenses	6,349,009
Operating income	1,126,582
NONOPERATING REVENUES	
Miscellaneous	158,975
Total nonoperating revenues	158,975
Change in net position	1,285,557
NET POSITION, beginning of year	4,735,834
NET POSITION, end of year	\$ 6,021,391

Parker County, Texas
Statement of Cash Flows –
Proprietary Fund
Year Ended September 30, 2017

	<u>Insurance Escrow</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from interfund services provided	\$ 7,508,988
Payments to providers	(6,347,914)
	<hr/>
Net cash provided by operating activities	1,161,074
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(519,286)
Miscellaneous receipts	158,975
	<hr/>
Net cash used in investing activities	(360,311)
NET INCREASE IN CASH	800,763
CASH, beginning of year	<hr/> 3,286,132
CASH, end of year	<hr/> <u>\$ 4,086,895</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 1,126,582
Adjustments to reconcile operating income to net cash provided by operating activities	
Decrease in accounts receivable	33,397
Increase in accounts payable	1,095
	<hr/>
Net cash provided by operating activities	<hr/> <u>\$ 1,161,074</u>

Parker County, Texas

Statement of Fiduciary Assets and Liabilities –

Agency Funds

September 30, 2017

ASSETS

Cash	\$	5,191,738
Investments		599,450
Accounts receivable		326
		<hr/>

Total assets	\$	5,791,514
		<hr/> <hr/>

LIABILITIES

Deposits held and due to others	\$	5,791,514
		<hr/>

Total liabilities	\$	5,791,514
		<hr/> <hr/>

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

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 the 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.

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.

Parker County, Texas

Notes to Financial Statements

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, Series 2014 and Series 2016 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.

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, 2017.

Parker County, Texas
Notes to Financial Statements

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.

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.

Parker County, Texas

Notes to Financial Statements

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.

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, is 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.

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.

Parker County, Texas

Notes to Financial Statements

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 2017, the unassigned General Fund balance was 38% of budgeted expenditures and the Debt Service Fund balance was at 21% 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, 2017 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.

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.

Parker County, Texas

Notes to Financial Statements

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, the County reports specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS). 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.

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;

Parker County, Texas

Notes to Financial Statements

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;
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, 2017, the County had the following investments:

	Weighted Average Maturity	Credit Rating	Market Value	Percentage of Total
Baird - Federated Government Obligation Fund Institutional Class	35 days	AAAm	\$ 66,365,963	100%
Total investments			<u>\$ 66,365,963</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, 2017, 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, 2017, 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, 2017, 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, 2017, excluding that portion budgeted for the retirement of long-term debt principal and interest was 0.3486506 per \$100 valuation. The total tax rate for all purposes was 0.4186506 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, 2017:

Fund	Delinquent Taxes	Allowance	Net Receivable
General	\$ 1,144,978	\$ (540,567)	\$ 604,411
Debt Service	303,843	(143,452)	160,391
Lateral Road	425,790	(180,152)	245,638
Total	<u>\$ 1,874,611</u>	<u>\$ (864,171)</u>	<u>\$ 1,010,440</u>

Note 5. Changes in Capital Assets

During the year ended September 30, 2017, the County completed various capital projects relating to infrastructure, roads and bridges, and right of way.

Parker County, Texas
Notes to Financial Statements

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

	Beginning 10/1/16	Transfers	Additions	Deletions	Balance 9/30/17
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 2,701,651	\$ 7,270,160	\$ -	\$ -	\$ 9,971,811
Work in progress	5,410,409	(10,300,247)	11,245,597	-	6,355,759
Total capital assets not being depreciated	8,112,060	(3,030,087)	11,245,597	-	16,327,570
Depreciable capital assets					
Buildings and improvements	41,237,574	-	55,464	2,366,008	38,927,030
Infrastructure	133,573,834	3,030,087	-	-	136,603,921
Office furniture and equipment	7,479,585	-	3,524,713	1,532,071	9,472,227
Transportation equipment	5,478,075	-	545,098	393,609	5,629,564
Road maintenance equipment	16,511,376	-	689,867	461,452	16,739,791
Emergency management equipment	585,059	-	200	13,705	571,554
Other	171,139	-	17,595	20,982	167,752
Total depreciable capital assets	205,036,642	3,030,087	4,832,937	4,787,827	208,111,839
Less accumulated depreciation for					
Buildings and improvements	15,315,627	-	1,157,554	2,366,008	14,107,173
Infrastructure	115,584,314	-	839,153	-	116,423,467
Office furniture and equipment	6,691,965	-	808,719	1,532,071	5,968,613
Transportation equipment	4,178,426	-	428,411	393,609	4,213,228
Road maintenance equipment	12,072,165	-	836,634	461,452	12,447,347
Emergency management equipment	531,070	-	24,589	13,705	541,954
Other	75,399	-	22,955	20,982	77,372
Total accumulated depreciation	154,448,966	-	4,118,015	4,787,827	153,779,154
Depreciable capital assets, net	50,587,676	3,030,087	714,922	-	54,332,685
Governmental activities capital assets, net	\$ 58,699,736	\$ -	\$ 11,960,519	\$ -	\$ 70,660,255

Parker County, Texas
Notes to Financial Statements

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

Governmental activities	
General government	\$ 1,276,585
Roads and bridges	1,606,026
Public safety	700,063
Law enforcement	452,981
Judicial	41,180
Recording	41,180
	<hr/>
Total depreciation for governmental activities	\$ 4,118,015
	<hr/>

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, 2017 the value of accumulated vacation and compensatory benefits amounted to \$840,714. 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, 2017 was \$2,990,000.

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, 2017 was \$18,270,000.

The County issued \$36,325,000 in unlimited tax road bonds in February 2017 for the purpose of (1) construction, acquisition by purchase, maintenance, and operation of macadamized, graveled or paved roads, or in aid thereof, within the County, including, but not limited to, constructing, improving, extending, expanding, upgrading and/or developing roads in the county, including 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 5.0%. The outstanding balance at September 30, 2017 was \$36,325,000.

Parker County, Texas
Notes to Financial Statements

Unlimited Tax Refunding Bonds

The County issued \$53,350,000 in refunding bonds in April of 2016 with interest 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, 2017 \$53,885,000 of the defeased debt remain outstanding. The outstanding balance at September 30, 2017 was \$53,285,000.

General Obligation Refunding Bonds

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 outstanding balance at September 30, 2017 was \$1,955,000.

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, 2017 was \$9,455,000. 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, 2017 was \$2,775,000. Principal interest payments are due in annual installments on February 15 and August 15. The bonds are scheduled to mature in February of 2023.

Parker County, Texas
Notes to Financial Statements

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

Year	Principal	Interest	Total
2018	\$ 3,620,000	\$ 5,796,998	\$ 9,416,998
2019	4,600,000	4,885,847	9,485,847
2020	3,965,000	4,775,536	8,740,536
2021	4,345,000	4,637,895	8,982,895
2022	5,440,000	2,650,242	8,090,242
2023-2027	26,120,000	10,464,688	36,584,688
2028-2032	33,655,000	8,543,413	42,198,413
2033-2037	26,605,000	5,986,225	32,591,225
2038-2041	4,050,000	1,942,931	5,992,931
2042	12,655,000	85,125	12,740,125
	<u>\$ 125,055,000</u>	<u>\$ 49,768,899</u>	<u>\$ 174,823,899</u>

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

	October 1, 2016	Additions	Retirements	September 30, 2017	Due Within One Year
General Obligation Refunding Bonds, Series 2014	10,525,000	-	1,070,000	9,455,000	1,080,000
General Obligation Refunding Bonds, Series 2015	2,180,000	-	225,000	1,955,000	230,000
Unlimited Tax Road Bonds 2009	4,400,000	-	1,410,000	2,990,000	1,465,000
Unlimited Tax Road Bonds 2013	18,530,000	-	260,000	18,270,000	340,000
Unlimited Tax Note, Series 2015	3,175,000	-	400,000	2,775,000	440,000
Unlimited Tax Refunding, Series 2016	53,350,000	-	65,000	53,285,000	65,000
Unlimited Tax Road Bonds 2017	-	36,325,000	-	36,325,000	-
Plus deferred premiums on issuance	8,051,331	4,144,926	652,892	11,543,365	652,892
Capital lease payable	2,569,651	2,883,364	987,578	4,465,437	1,019,290
Net pension liability	12,646,577	507,611	-	13,154,188	-
Compensated absences	954,850	1,035,927	1,150,063	840,714	840,714
Totals	<u>\$ 116,382,409</u>	<u>\$ 44,896,828</u>	<u>\$ 6,220,533</u>	<u>\$ 155,058,704</u>	<u>\$ 6,132,896</u>

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, 2017 was \$171,646.

Parker County, Texas
Notes to Financial Statements

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, 2017 was \$54,229.

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, 2017 was \$161,965.

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, 2017 was \$191,014.

Emergency Management

The County has a capital lease agreement related to County-wide communications equipment with an ending balance at September 30, 2017 in the amount of \$3,035,777. The lease balance is payable in six successive annual payments of \$525,853 and a final payment of \$274,214 in fiscal year 2024 bearing interest at the rate of 3.33% per annum.

Sheriff Administration

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, 2017 was \$850,806.

Parker County, Texas
Notes to Financial Statements

The following analysis of equipment leased under capital leases as of September 30, 2017:

	Governmental Activities
Equipment	\$ 9,768,248
Less accumulated depreciation	<u>(6,116,717)</u>
Total	<u>\$ 3,651,531</u>

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

Scheduled minimum lease payments	\$ 4,948,281
Amount representing interest	<u>(482,844)</u>
Present value of future minimum capital lease payments (principal payoff)	<u>\$ 4,465,437</u>

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

Year	Principal	Interest	Total
2018	\$ 1,019,290	\$ 147,357	\$ 1,166,647
2019	996,514	113,774	1,110,288
2020	583,064	81,295	664,359
2021	541,435	62,026	603,461
2020	559,401	44,060	603,461
2021	500,354	25,498	525,852
2022	265,379	8,834	274,213
Total	<u>\$ 4,465,437</u>	<u>\$ 482,844</u>	<u>\$ 4,948,281</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

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 10.8% and 11.0% for the months of the accounting year in 2017 and 2016, respectively.

The deposit rate payable by the employee members for calendar year 2017 and 2016 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31, 2016
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	8.00%
Payroll growth	3.50%

Parker County, Texas
Notes to Financial Statements

Discount Rate

The discount rate used to measure the total pension liability was 8.00% and 8.10% for 2017 and 2016, respectively. 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 8.00%. 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, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Gemoetric Real</u>
US Equities	13.50%	4.70%
Private Equities	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities - Developed	10.00%	4.70%
International Equities - Emerging	7.00%	5.70%
Investment - Grade Bonds	3.00%	60.00%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	383.00%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships (MLPs)	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%
Total	100.00%	

Parker County, Texas
Notes to Financial Statements

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 (8.00%) in measuring the Net Pension Liability at December 31, 2016:

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 108,932,938	\$ 96,162,717	\$ 85,546,695
Fiduciary net pension	83,008,529	83,008,529	83,008,529
Net pension liability / (asset)	<u>\$ 25,924,409</u>	<u>\$ 13,154,188</u>	<u>\$ 2,538,166</u>

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

At September 30, 2017, the County reported \$13,154,188 for the net pension liability and pension expense of \$4,735,295 related to the December 31, 2016 valuation. The breakdown of the components of pension expense follows:

	January 1, 2016 - December 31, 2016
Service cost	\$ 3,460,576
Interest on total pension liability (1)	7,222,780
Effect of plan changes	-
Administrative expenses	61,520
Member contributions	(1,674,294)
Expected investment return net of investment expenses	(6,225,197)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(177,242)
Recognition of assumption changes or inputs	211,272
Recognition of investment gains or losses	1,802,257
Other (2)	53,623
Pension expense	<u>\$ 4,735,295</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

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

	Deferred Inflow of Resources	Deferred Outflow of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 540,694	\$ 43,632
Change in assumption	-	422,544
Net difference between projected and actual investment earnings	-	5,308,259
Contributions subsequent to the measurement date	-	1,923,022
	<u> </u>	<u> </u>
Total	<u>\$ 540,694</u>	<u>\$ 7,697,457</u>

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

<u>Year ended December 31:</u>
2017
2018
2019
2020
Total

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.

Parker County, Texas

Notes to Financial Statements

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 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, 2017, 2016, and 2015 were \$79,265, \$90,886, and \$81,194, 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.

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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.

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.

Required Supplementary Information

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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, 2017

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 3,460,575	\$ 2,887,467	\$ 2,748,729
Interest (on the total pension liability)	7,222,780	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	(395,797)	(487,692)	174,522
Benefit payments/refunds of contributions	(3,135,686)	(2,701,616)	(2,798,116)
Net Change in Total Pension Liability	7,151,872	6,674,924	6,283,426
Total Pension Liability - Beginning	89,010,845	82,335,921	76,052,495
Total Pension Liability - Ending (a)	\$ 96,162,717	\$ 89,010,845	\$ 82,335,921
Plan Fiduciary Net Position			
Contributions - Employer	\$ 2,576,021	\$ 2,557,388	\$ 2,317,316
Contributions - Employee	1,674,294	1,627,429	1,475,998
Investment income net of investment expenses	5,644,776	(1,089,605)	4,721,721
Benefit payments/refunds of contributions	(3,135,686)	(2,701,616)	(2,798,116)
Administrative expense	(61,520)	(54,895)	(56,458)
Other	(53,623)	34,155	(100,779)
Net Change in Plan Fiduciary Net Position	6,644,262	372,856	5,559,682
Plan Fiduciary Net Position - Beginning	76,364,267	75,991,412	70,431,730
Plan Fiduciary Net Position - Ending (b)	\$ 83,008,529	\$ 76,364,268	\$ 75,991,412
Net Pension Liability - Ending (a) - (b)	\$ 13,154,188	\$ 12,646,577	\$ 6,344,509
Plan Fiduciary Net Position as a Percentage of			
Total Pension Liability	86.32%	85.79%	92.29%
Covered Employee Payroll	\$ 23,918,485	\$ 23,248,980	\$ 21,085,679
Net Pension Liability as a Percentage of Covered			
Employee Payroll	55.00%	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, 2017

	Year Ended December 31,									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 2,576,021	\$ 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
Contributions in relation to the actuarially determined contribution	2,576,021	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
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 23,918,485	\$ 23,248,980	\$ 21,085,679	\$ 20,234,526	\$ 19,483,984	\$ 19,629,775	\$ 20,035,025	\$ 19,679,211	\$ 18,066,809	\$ 17,317,510
Contributions as a percentage of covered-employee payroll	10.8%	11.0%	11.0%	10.5%	9.9%	11.1%	10.8%	10.2%	9.8%	10.1%

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	14.7 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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Over (Under)
REVENUES				
Property taxes	\$ 27,380,083	\$ 27,380,083	\$ 27,350,984	\$ (29,099)
Sales taxes	7,100,000	7,100,000	8,149,310	1,049,310
Intergovernmental	2,493,223	2,630,405	3,018,551	388,146
Fees of office	5,159,453	5,159,453	5,941,156	781,703
Interest	22,400	22,400	294,801	272,401
Royalties	55,000	55,000	54,526	(474)
Miscellaneous	270,660	284,033	661,319	377,286
Total revenues	42,480,819	42,631,374	45,470,647	2,839,273
EXPENDITURES				
General government				
Commissioners' court	117,500	117,500	88,638	28,862
County judge	333,946	342,446	291,654	50,792
Veterans' service officer	73,464	73,464	72,865	599
Non-departmental	2,217,006	2,296,706	2,409,426	(112,720)
Employee benefits	213,599	213,599	204,999	8,600
Election expenses	815,197	655,297	497,814	157,483
County auditor	622,086	623,116	598,231	24,885
County treasurer	325,705	325,705	324,219	1,486
Building and grounds	1,693,488	1,693,009	1,505,859	187,150
Purchasing administration	313,078	313,078	294,824	18,254
Information technology	1,208,615	1,171,964	776,145	395,819
Social services	223,940	223,940	222,040	1,900
County extension services	344,055	344,055	332,442	11,613
Total general government	8,501,679	8,393,879	7,619,156	774,723
Public safety				
Emergency management	229,695	229,695	155,831	73,864
Fire protection	501,860	485,456	402,188	83,268
Total public safety	731,555	715,151	558,019	157,132
Law enforcement				
Jail	6,617,066	6,617,066	6,961,257	(344,191)
Constable #1	209,358	209,358	189,110	20,248
Constable #2	213,326	216,576	205,833	10,743
Constable #3	186,096	187,596	182,053	5,543
Constable #4	185,419	188,419	174,158	14,261
Sheriff administration	9,845,278	9,847,096	9,755,586	91,510
Sheriff investigation	115,580	92,819	78,479	14,340
Sheriff dispatching	5,800	5,800	5,325	475
Sheriff patrol	395,971	278,642	252,060	26,582
Training division	36,200	38,825	35,292	3,533
Jail transfer	116,287	86,134	67,342	18,792
Narcotics task force	119,863	98,310	86,007	12,303
Game warden	1,150	1,150	1,080	70
Animal control	486,534	470,492	402,296	68,196
Highway patrol (North)	58,319	58,319	58,127	192
Highway patrol (South)	65,576	69,362	69,145	217
Total law enforcement	18,657,823	18,465,964	18,523,150	(57,186)

Parker County, Texas
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance – Budget and Actual
 General Fund (Continued)
 Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget -
	Original	Final		Positive (Negative)
Judicial				
District court 43rd	933,138	920,138	729,401	190,737
District court 415th	982,759	982,759	788,699	194,060
County court-at-law #1	796,506	806,406	850,617	(44,211)
County court-at-law #2	783,266	783,766	797,634	(13,868)
Justice of the peace #1	412,176	412,176	393,598	18,578
Justice of the peace #2	488,507	488,507	454,289	34,218
Justice of the peace #3	572,553	572,553	552,860	19,693
Justice of the peace #4	480,889	480,889	446,571	34,318
County attorney	2,354,738	2,428,633	2,357,787	70,846
District attorney	1,575,709	1,575,709	1,498,235	77,474
Adult probation	9,000	9,000	6,955	2,045
Probate	137,008	137,008	138,367	(1,359)
Juvenile probation	797,427	938,911	834,028	104,883
Total judicial	10,323,676	10,536,455	9,849,041	687,414
Health and welfare				
Medical examiner-investigator	272,537	269,198	266,339	2,859
911 addressing	63,555	63,555	63,540	15
Sanitations	418,234	419,234	357,585	61,649
Total health and welfare	754,326	751,987	687,464	64,523
Recording				
County clerk	573,307	562,183	546,295	15,888
County clerk court division	943,304	943,304	919,709	23,595
District clerk	1,027,298	1,027,798	956,653	71,145
Total recording	2,543,909	2,533,285	2,422,657	110,628
Tax assessing-collecting	1,111,571	1,111,571	1,061,768	49,803
Total tax assessing-collecting	1,111,571	1,111,571	1,061,768	49,803
Capital outlay	192,400	914,735	835,208	79,527
Total capital outlay	192,400	914,735	835,208	79,527
Capital lease				
Principal	1,059,428	1,024,432	816,794	207,638
Interest	108,468	108,468	154,990	(46,522)
Total debt service	1,167,896	1,132,900	971,784	161,116
Total expenditures	43,984,835	44,555,927	42,528,247	2,027,680
Excess (deficiency) of revenues over (under) expenditures	(1,504,016)	(1,924,553)	2,942,400	4,866,953
OTHER FINANCING SOURCES				
Operating transfers in	517,172	517,172	-	(517,172)
Sale of assets	5,000	5,000	50,651	45,651
Total other financing sources	522,172	522,172	50,651	(471,521)
Net changes in fund balances	(981,844)	(1,402,381)	2,993,051	4,395,432
FUND BALANCES, October 1	14,073,563	14,073,563	14,073,563	-
FUND BALANCES, September 30	\$ 13,091,719	\$ 12,671,182	\$ 17,066,614	\$ 4,395,432

Parker County, Texas
 Schedule of Revenues, Expenditures, and
 Changes in Fund Balance – Budget and Actual
 Lateral Road Fund
 Year Ended September 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
REVENUES				
Property taxes	\$ 8,783,920	\$ 8,783,920	\$ 9,114,558	\$ 330,638
Intergovernmental	314,898	314,898	370,220	55,322
Fees of office	1,526,950	1,526,950	1,894,521	367,571
Fines and forfeitures	301,000	301,000	352,216	51,216
Interest	7,300	7,300	67,623	60,323
Miscellaneous	6,100	6,100	223,275	217,175
Total revenues	10,940,168	10,940,168	12,022,413	1,082,245
EXPENDITURES				
Roads and bridges				
General	40,249	40,249	40,238	11
Precinct 1	2,403,740	2,448,196	1,990,419	457,777
Precinct 2	2,311,690	2,311,890	1,983,893	327,997
Precinct 3	2,551,177	2,633,984	2,182,253	451,731
Precinct 4	1,880,437	1,924,522	1,784,811	139,711
Total roads and bridges	9,187,293	9,358,841	7,981,614	1,377,227
Capital outlay				
Precinct 1	543,823	545,173	542,402	2,771
Precinct 2	831,820	875,970	856,963	19,007
Precinct 3	864,788	861,425	597,414	264,011
Precinct 4	1,117,847	1,077,112	947,041	130,071
Total capital outlay	3,358,278	3,359,680	2,943,820	415,860
Debt service				
Precinct 1	100,663	100,663	100,434	229
Precinct 2	52,202	52,202	52,105	97
Precinct 4	42,176	42,176	41,995	181
Total debt service	195,041	195,041	194,534	507
Total expenditures	12,740,612	12,913,562	11,119,968	1,793,594
Excess (deficiency) of revenues over (under) expenditures	(1,800,444)	(1,973,394)	902,445	2,875,839
OTHER FINANCING SOURCES				
Operating transfers in	-	-	-	-
Capital lease proceeds	-	-	-	-
Sale of assets	15,000	49,187	48,675	(512)
Total other financing sources	15,000	49,187	48,675	(512)
NET CHANGE IN FUND BALANCES	(1,785,444)	(1,924,207)	951,120	2,875,327
FUND BALANCES, beginning of year	4,229,633	4,229,633	4,229,633	-
FUND BALANCES, end of year	\$ 2,444,189	\$ 2,305,426	\$ 5,180,753	\$ 2,875,327

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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, 2017

Special Revenue Funds					
	Historical Commission	Estray	Abandoned Vehicle	Courthouse Security	Voter Registration
ASSETS					
Cash	\$ 183	\$ 1,082	\$ 493	\$ 1,170	\$ 411
Investments	9,702	57,381	26,117	62,044	21,806
Receivables:					
Intergovernmental	-	-	-	-	1,195
Other	-	-	-	1,808	-
Prepaid expenses and other assets	100,000	-	-	-	-
Total assets	\$ 109,885	\$ 58,463	\$ 26,610	\$ 65,022	\$ 23,412
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 400	\$ -	\$ 157	\$ 350
Accrued salaries and benefits payable	-	-	-	2,052	-
Due to other governmental entities	-	-	-	-	-
Unearned Revenue	-	-	-	-	-
Total liabilities	-	400	-	2,209	350
Fund balances:					
Restricted for state and federal programs	-	58,063	26,610	62,813	23,062
Committed to state and special programs	109,885	-	-	-	-
Total fund balances	109,885	58,063	26,610	62,813	23,062
Total liabilities and fund balances	\$ 109,885	\$ 58,463	\$ 26,610	\$ 65,022	\$ 23,412

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
\$ 10,220	\$ 2,091	\$ 809	\$ 188	\$ 14,736	\$ 200	\$ 124	\$ 377	\$ 115	\$ 23,780
109,152	110,835	42,884	9,976	79,439	10,626	6,556	19,965	6,089	197,271
-	-	-	-	-	-	-	-	-	-
-	-	-	-	1,058	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>\$ 119,372</u>	<u>\$ 112,926</u>	<u>\$ 43,693</u>	<u>\$ 10,164</u>	<u>\$ 95,233</u>	<u>\$ 10,826</u>	<u>\$ 6,680</u>	<u>\$ 20,342</u>	<u>\$ 6,204</u>	<u>\$ 221,051</u>
\$ -	\$ 62	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 560	\$ -
-	-	-	-	-	-	535	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	62	-	-	-	-	535	-	560	-
119,372	112,864	43,693	10,164	95,233	10,826	6,145	20,342	5,644	221,051
-	-	-	-	-	-	-	-	-	-
<u>119,372</u>	<u>112,864</u>	<u>43,693</u>	<u>10,164</u>	<u>95,233</u>	<u>10,826</u>	<u>6,145</u>	<u>20,342</u>	<u>5,644</u>	<u>221,051</u>
<u>\$ 119,372</u>	<u>\$ 112,926</u>	<u>\$ 43,693</u>	<u>\$ 10,164</u>	<u>\$ 95,233</u>	<u>\$ 10,826</u>	<u>\$ 6,680</u>	<u>\$ 20,342</u>	<u>\$ 6,204</u>	<u>\$ 221,051</u>

Parker County, Texas
 Combining Balance Sheet
 Nonmajor Governmental Funds (Continued)
 September 30, 2017

	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	\$ 8,252	\$ 5,174	\$ 3,055	\$ 1,547	\$ 490	\$ 1,588	\$ 1,989
Investments	437,415	274,277	161,955	81,979	25,994	84,153	105,422
Receivables:							
Intergovernmental	-	-	-	41,288	-	-	-
Other	180	2,307	-	-	-	2,649	45
Prepaid expenses and other assets	-	-	-	-	-	-	-
Total assets	\$ 445,847	\$ 281,758	\$ 165,010	\$ 124,814	\$ 26,484	\$ 88,390	\$ 107,456
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 8,013	\$ 1,375	\$ -	\$ -	\$ 500	\$ -	\$ -
Accrued salaries and benefits payable	-	135	-	74,635	-	-	-
Due to other governmental entities	-	-	165,010	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-
Total liabilities	8,013	1,510	165,010	74,635	500	-	-
Fund balances:							
Restricted for state and federal programs	437,834	280,248	-	50,179	25,984	88,390	107,456
Committed to state and special programs	-	-	-	-	-	-	-
Total fund balances	437,834	280,248	-	50,179	25,984	88,390	107,456
Total liabilities and fund balances	\$ 445,847	\$ 281,758	\$ 165,010	\$ 124,814	\$ 26,484	\$ 88,390	\$ 107,456

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
\$ 448	\$ 18,567	\$ 601	\$ 5,483	\$ 2,073	\$ 5,448	\$ 4,412	\$ 3,245	\$ 10,839	\$ 2,314	\$ 131,504
23,734	984,236	31,869	290,630	109,888	288,787	233,864	172,024	574,590	122,657	4,773,317
-	-	-	-	-	-	-	-	-	13,018	55,501
199	1,605	26	2,678	1,375	1,700	1,154	2,633	1,740	1,080	22,237
-	-	-	-	-	-	-	-	-	-	100,000
\$ 24,381	\$ 1,004,408	\$ 32,496	\$ 298,791	\$ 113,336	\$ 295,935	\$ 239,430	\$ 177,902	\$ 587,169	\$ 139,069	\$ 5,082,559
\$ -	\$ 14	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 305	\$ 11,736
-	2,574	-	-	-	-	-	-	-	-	79,931
-	-	-	-	-	-	-	-	-	-	165,010
-	-	-	-	-	-	-	-	-	57,935	57,935
-	2,588	-	-	-	-	-	-	-	58,240	314,612
24,381	1,001,820	32,496	298,791	113,336	295,935	239,430	177,902	587,169	80,829	4,658,062
-	-	-	-	-	-	-	-	-	-	109,885
24,381	1,001,820	32,496	298,791	113,336	295,935	239,430	177,902	587,169	80,829	4,767,947
\$ 24,381	\$ 1,004,408	\$ 32,496	\$ 298,791	\$ 113,336	\$ 295,935	\$ 239,430	\$ 177,902	\$ 587,169	\$ 139,069	\$ 5,082,559

Parker County, Texas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit) Nonmajor Governmental Funds Year Ended September 30, 2017

	Special Revenue Funds					Sheriff's
	Historical Commission	Estray	Abandoned Vehicle	Courthouse Security	Voter Registration	Forfeiture Federal Share
REVENUES						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 22,572	\$ 78,556
Fees of office	-	-	-	84,959	-	-
Interest	599	-	-	-	-	1,274
Miscellaneous	1,401	16,633	-	-	-	-
Total revenues	2,000	16,633	-	84,959	22,572	79,830
EXPENDITURES						
Current						
General government	1,706	-	-	-	22,677	-
Public safety	-	-	-	62,153	-	-
Law enforcement	-	6,113	-	-	-	222,866
Judicial	-	-	-	-	-	-
Recording	-	-	-	-	-	-
Total expenditures	1,706	6,113	-	62,153	22,677	222,866
Excess (deficiency) of revenues						
Net changes in fund balances	294	10,520	-	22,806	(105)	(143,036)
OTHER FINANCING USES						
Proceeds from sale of capital assets	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Total financing other uses	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	294	10,520	-	22,806	(105)	(143,036)
Fund balances (deficit) - beginning of year	109,591	47,543	26,610	40,007	23,167	262,408
Fund balances - end of year	\$ 109,885	\$ 58,063	\$ 26,610	\$ 62,813	\$ 23,062	\$ 119,372

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	\$ -	\$ -	\$ -	\$ -
123,050	9,439	-	-	3,882	-	469	3,183	-	44,456
-	-	-	928	-	-	201	57	2,225	-
-	-	-	46,077	-	-	-	-	10,769	-
123,050	9,439	-	47,005	3,882	22,500	670	3,240	12,994	44,456
87,787	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	81,914	1,174	-	-	-	-	-
-	-	-	-	2,312	25,899	-	2,024	42,057	35,393
-	-	-	-	-	-	-	-	-	-
87,787	-	-	81,914	3,486	25,899	-	2,024	42,057	35,393
35,263	9,439	-	(34,909)	396	(3,399)	670	1,216	(29,063)	9,063
-	-	-	3,800	-	-	-	-	22,500	-
-	-	-	-	-	4,621	-	-	-	-
-	-	-	-	-	-	-	-	(4,621)	-
-	-	-	3,800	-	4,621	-	-	17,879	-
35,263	9,439	-	(31,109)	396	1,222	670	1,216	(11,184)	9,063
77,601	34,254	10,164	126,342	10,430	4,923	19,672	4,428	232,235	428,771
\$ 112,864	\$ 43,693	\$ 10,164	\$ 95,233	\$ 10,826	\$ 6,145	\$ 20,342	\$ 5,644	\$ 221,051	\$ 437,834

Parker County, Texas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance (Deficit) Nonmajor Governmental Funds (Continued) Year Ended September 30, 2017

	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	\$ -	\$ -	\$ 529,613	\$ -	\$ -	\$ -	\$ -
Fees of office	42,258	-	44,428	121,553	17,303	11,136	4,036
Interest	-	-	-	291	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	42,258	-	574,041	121,844	17,303	11,136	4,036
EXPENDITURES							
Current							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Law enforcement	-	-	-	-	-	-	-
Judicial	23,111	-	619,203	129,415	-	2,277	-
Recording	-	-	-	-	-	-	-
Total expenditures	23,111	-	619,203	129,415	-	2,277	-
Excess (deficiency) of revenues							
Net changes in fund balances	19,147	-	(45,162)	(7,571)	17,303	8,859	4,036
OTHER FINANCING USES							
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-
Total financing other uses	-	-	-	-	-	-	-
NET CHANGES IN FUND BALANCES	19,147	-	(45,162)	(7,571)	17,303	8,859	4,036
Fund balances (deficit) - beginning of year	261,101	-	95,341	33,555	71,087	98,597	20,345
Fund balances - end of year	\$ 280,248	\$ -	\$ 50,179	\$ 25,984	\$ 88,390	\$ 107,456	\$ 24,381

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 487,810	\$ 1,141,051
324,500	5,403	40,159	9,516	25,751	20,950	26,469	330,554	14,043	1,307,497
9,222	-	-	-	-	-	-	4,904	-	19,701
-	-	-	-	-	-	-	-	-	74,880
333,722	5,403	40,159	9,516	25,751	20,950	26,469	335,458	501,853	2,543,129
-	-	-	-	-	-	-	-	391,668	503,838
-	-	-	-	-	-	-	-	53,722	115,875
-	-	-	-	-	-	-	-	-	312,067
-	-	-	-	-	-	-	-	56,595	938,286
71,324	3,113	-	1,010	-	-	-	285,559	-	361,006
71,324	3,113	-	1,010	-	-	-	285,559	501,985	2,231,072
262,398	2,290	40,159	8,506	25,751	20,950	26,469	49,899	(132)	312,057
-	-	-	-	-	-	-	-	-	26,300
-	-	-	-	-	-	-	-	-	4,621
-	-	-	-	-	-	-	-	-	(4,621)
-	-	-	-	-	-	-	-	-	26,300
262,398	2,290	40,159	8,506	25,751	20,950	26,469	49,899	(132)	338,357
739,422	30,206	258,632	104,830	270,184	218,480	151,433	537,270	80,961	4,429,590
\$ 1,001,820	\$ 32,496	\$ 298,791	\$ 113,336	\$ 295,935	\$ 239,430	\$ 177,902	\$ 587,169	\$ 80,829	\$ 4,767,947

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.

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, 2017

	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	\$ 175,450	\$ 618,982	\$ 954,498	\$ 72,392	\$ 2,525	\$ 544,500
Investments	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
	<hr/>					
Total assets	\$ 175,450	\$ 618,982	\$ 954,498	\$ 72,392	\$ 2,525	\$ 544,500
<hr/>						
LIABILITIES						
Deposits held and due to others	\$ 175,450	\$ 618,982	\$ 954,498	\$ 72,392	\$ 2,525	\$ 544,500
	<hr/>					
Total liabilities	\$ 175,450	\$ 618,982	\$ 954,498	\$ 72,392	\$ 2,525	\$ 544,500
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Parker County, Texas

Combining Statement of Fiduciary Assets and Liabilities –

Agency Funds (Continued)

September 30, 2017

	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	\$ 818,492	\$ 539,650	\$ 181,511	\$ 890,372	\$ 21,206	\$ 40,554	\$ 53,636
Investments	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-
Total assets	<u>\$ 818,492</u>	<u>\$ 539,650</u>	<u>\$ 181,511</u>	<u>\$ 890,372</u>	<u>\$ 21,206</u>	<u>\$ 40,554</u>	<u>\$ 53,636</u>
LIABILITIES							
Deposits held and due to others	<u>\$ 818,492</u>	<u>\$ 539,650</u>	<u>\$ 181,511</u>	<u>\$ 890,372</u>	<u>\$ 21,206</u>	<u>\$ 40,554</u>	<u>\$ 53,636</u>
Total liabilities	<u>\$ 818,492</u>	<u>\$ 539,650</u>	<u>\$ 181,511</u>	<u>\$ 890,372</u>	<u>\$ 21,206</u>	<u>\$ 40,554</u>	<u>\$ 53,636</u>

Parker County, Texas

Combining Statement of Fiduciary Assets and Liabilities –
 Agency Funds (Continued)
 September 30, 2017

	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	\$ 11,309	\$ 49,095	\$ 177,392	\$ 33,819	\$ 2,047	\$ 4,308	\$ 5,191,738
Investments	599,450	-	-	-	-	-	599,450
Accounts receivable	326	-	-	-	-	-	326
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 611,085	\$ 49,095	\$ 177,392	\$ 33,819	\$ 2,047	\$ 4,308	\$ 5,791,514
LIABILITIES							
Deposits held and due to others	\$ 611,085	\$ 49,095	\$ 177,392	\$ 33,819	\$ 2,047	\$ 4,308	\$ 5,791,514
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	\$ 611,085	\$ 49,095	\$ 177,392	\$ 33,819	\$ 2,047	\$ 4,308	\$ 5,791,514
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State Awards Section

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**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, 2017 and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 29, 2018.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 2017-001.

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

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
June 29, 2018



**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, 2017. 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 state statutes, regulations, and the terms and conditions of its state awards 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, 2017.

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

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
June 29, 2018

Parker County, Texas
 Schedule of Expenditures of State Awards
 Year Ended September 30, 2017

State Grantor/Pass-Through Grantor Program Title	Pass-Through Disbursements and Expenditures
<u>TEXAS DEPARTMENT OF TRANSPORTATION</u>	
County Transportation Infrastructure Grant	\$ 218,952
Total Texas Department of Transportation	218,952
<u>TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</u>	
Texas Emissions Reduction Plan (TERP)	93,162
Low Income Vehicle Repair Assistance, Retrofit, and Accelerated Vehicle Retirement Program (LIRAP)	352,905
Total Texas Commission on Environmental Quality	446,067
<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	69,138
Total Texas Department of Motor Vehicles	69,138
<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 Department of Criminal Justice	16,500
<u>TEXAS CRIMINAL JUSTICE DIVISION- OFFICE OF THE GOVERNOR</u>	
Texas Truancy Prevention and Intervention Program	47,227
Total Texas Criminal Justice Division-Office of the Governor	47,227
<u>TEXAS INDIGENT DEFENSE COMMISSION</u>	
Indigent Defense Grant	154,264
Total Texas Indigent Defense Commission	154,264
<u>TEXAS DEPARTMENT OF STATE HEALTH SERVICES</u>	
Passed Through Texas State University Tobacco Enforcement Program	5,250
Passed Through Parker County Hospital Tobacco Compliance Program	6,928
Total U.S. Department of Health and Human Services	12,178
<u>TEXAS SECRETARY OF STATE</u>	
Chapter 19 Funds	22,572
Total Texas Secretary of State	22,572
Total Expenditures of State Awards	\$ 1,091,243

Parker County, Texas

Notes to the Schedule of Expenditures of State Awards

Year Ended September 30, 2017

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, 2017.

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, 2017

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:

LIPRAP - 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, 2017

Section II – Financial Statement Findings

Finding 2017-001

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, 2017, the County did not fully implement a method to communicate and track additions to construction projects in process specifically overseen by the individual precincts or acquired using discretionary funds.

Effect:

Without a fully implemented method to capture construction in progress, modifications to the listing were necessary to accurately reflect current year activity as well as accrue additional amounts related to the projects, 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 and communication tools that will allow the County to fully track construction in progress, as well as maintain supporting documentation and 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, 2017

Section III – State Award Findings and Questioned Costs

No findings.

Parker County, Texas

Schedule Of Findings and Questioned Costs – Continued
Year Ended September 30, 2017

Section IV – Summary Schedule of Prior Audit Findings

Federal Award Findings and Questioned Costs

Finding 2016-001: Material Weakness – Capital Assets

Status:

See finding 2017-001 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, 2017

Finding 2017-001

Construction in Process projects by each Precinct and by Discretionary funding will be monitored monthly, entered into the fixed asset system, each entry will be supported by appropriate documentation. Communication tools will also be utilized to ensure the auditor's office is aware of the status of projects at year end so that amounts may be properly accrued and treated properly, whether capitalized or not.

These changes will be implemented by August 2018. County Judge Mark Riley, will be responsible for implementation and monitoring.