

**PECOS COUNTY, TEXAS**

**FINANCIAL REPORT**

**DECEMBER 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pecos County, Texas (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprises the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Pecos County Memorial Hospital, an enterprise fund, which represents 100 percent of the assets, net position and revenues and expenses of the business-type activities. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pecos County Memorial Hospital, is based solely on the report of the other auditors. 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.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Pecos County, Texas, as of December 31, 2015, and the respective changes in financial position and where applicable the cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### *Change in Accounting Principle*

As discussed in Notes 1 and 11 to the Basic Financial Statements, Pecos County, Texas implemented Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position has been restated to reflect the change in accounting principle resulting from these statements. Our opinions are not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, Texas County District Retirement System Schedule of Changes in the Employer's Net Pension Liability and Related Ratios, the Texas County District Retirement System Schedule of Employer Contributions, and budgetary comparison information on pages 4 through 11 and 67 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The combining nonmajor governmental fund financial statements, combining special revenue fund financial statements, the combining fiduciary agency fund statement of assets and liabilities and the schedule of expenditures of federal and state awards, as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental fund financial statements, the combining special revenue fund financial statements, the combining fiduciary agency fund statement of assets and liabilities, and the schedule of expenditures of federal and 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 nonmajor governmental fund financial statements, the combining special revenue fund financial statements, the combining fiduciary agency fund statement of assets and liabilities, and the schedule of expenditures of federal and 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 September 28, 2016, on our consideration of Pecos County, Texas' internal control over financial reporting and 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 the 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 Pecos County, Texas' internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Midland, Texas  
September 28, 2016

## **PECOS COUNTY, TEXAS MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Pecos County, Texas (the County), we offer readers of the County's financial statements this overview and analysis of the financial activities of the County for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which begin on page 12.

### **Financial Highlights**

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$26,496,553 (*net position*). Of this amount \$(22,955,268) (*unrestricted net position*) was a net deficit.
- As of the close of the current year, the County's governmental funds reported combined ending fund balances of \$25,890,882 an increase of \$2,325,152 in comparison with the prior year. Approximately 51.3% of this total amount, \$13,286,388, is unassigned and *available for spending* at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$13,286,388 or 69% percent of total general fund expenditures.
- The County's total bond debt decreased by \$1,200,000 (32%) during the current fiscal year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The *statement of net position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net assets 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 only result in cash flows in future fiscal periods (e.g. uncollected taxes).

**PECOS COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Government-Wide Financial Statements – Continued**

Both of the government-wide financial statements distinguish functions of Pecos County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The government wide financial statements can be found on pages 12 through 14 of this report.

**FUND FINANCIAL STATEMENTS**

**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. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus on governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains three governmental fund types. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the road and bridge fund, and the debt service fund, which are considered to be major funds. All other special revenue funds and capital project funds are considered nonmajor governmental funds and are combined into the aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements as other supplemental information elsewhere in this report.

The governmental fund financial statements can be found on pages 15 through 20 of this report.

**PECOS COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FUND FINANCIAL STATEMENTS – CONTINUED**

**Governmental Funds – Continued**

The County adopts an annual appropriated budget for its general fund and road and bridge fund. Budgetary comparison statements, which are considered required supplementary information, have been provided for these funds to demonstrate compliance with this budget on pages 70 through 76.

**Proprietary Funds:** The County maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Pecos County Memorial Hospital fund, formerly presented as a discretely presented component unit, is now presented as an enterprise fund of the County. The Pecos County Memorial Hospital fund is considered a major fund of the County. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-insurance. Because this predominantly benefits governmental functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 21 through 25 of this report.

**Fiduciary Funds:** Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for other governmental units. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's basic programs. The basic fiduciary fund financial statements 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 beginning on page 28 of this report.

**Other Information:** The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information for budgetary data. Combining fund statements can be found on pages 77 through 92.

**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 exceeded liabilities by \$26,496,553 at the close of the most recent fiscal year. A large portion of the County's net position (145%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is outstanding.

**PECOS COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS – CONTINUED**

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.

**Pecos County, Texas  
Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2015	2014	2015	2014	2015
Current and other assets	\$ 53,813,085	\$ 52,438,143	\$ 5,738,210	\$ 6,068,373	\$ 59,551,295	\$ 58,506,516
Capital assets	23,922,797	24,203,333	18,102,573	17,396,792	42,025,370	41,600,125
Total assets	<u>77,735,882</u>	<u>76,641,476</u>	<u>23,840,783</u>	<u>23,465,165</u>	<u>101,576,665</u>	<u>100,106,641</u>
Deferred outflow of resources	-	1,304,658	-	1,594,581	-	2,899,239
Long-term liabilities outstanding	21,234,583	24,968,245	13,737,350	16,607,975	34,971,933	41,576,220
Other liabilities	4,601,753	6,713,678	4,807,538	7,900,040	9,409,291	14,613,718
Total liabilities	<u>25,836,336</u>	<u>31,681,923</u>	<u>18,544,888</u>	<u>24,508,015</u>	<u>44,381,224</u>	<u>56,189,938</u>
Deferred Inflows of Resources	23,833,148	20,319,389	-	-	23,833,148	20,319,389
Net investment						
in capital assets	21,827,908	22,884,202	15,851,813	15,594,429	37,679,721	38,478,631
Restricted	10,039,622	10,973,190	-	-	10,039,622	10,973,190
Unrestricted	(3,801,132)	(7,912,570)	(10,555,918)	(15,042,698)	(14,357,050)	(22,955,268)
Total net position	<u>\$ 28,066,398</u>	<u>\$ 25,944,822</u>	<u>\$ 5,295,895</u>	<u>\$ 551,731</u>	<u>\$ 33,362,293</u>	<u>\$ 26,496,553</u>

A significant portion of the County's net position (30%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(22,955,268).

**PECOS COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES**

Governmental activities and business-type activities decreased the County's net position by \$1,180,843 and \$3,594,380, respectively. Key elements of this decrease are as follows:

**Pecos County, Texas  
Changes in Net Position**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2015	2014	2015	2014	2015
Revenues:						
Program revenues:						
Charges for services	\$ 5,578,858	\$ 4,309,004	\$ 24,039,499	\$ 25,568,361	\$ 29,618,357	\$ 29,877,365
Operating grants and contributions	2,019,572	3,867,096	838,548	900,676	2,858,120	4,767,772
Capital grants and contributions	-	-	15,052	89,217	15,052	89,217
General revenues:						
Property taxes	23,268,254	24,132,279	-	-	23,268,254	24,132,279
Other taxes	108,879	129,238	-	-	108,879	129,238
Investment earnings	110,178	121,315	14,265	10,983	124,443	132,298
Payment in lieu of taxes	1,726,683	1,359,601	-	-	1,726,683	1,359,601
Proceeds from settlement	-	679,318	-	-	-	679,318
Other	330,362	492,143	-	-	330,362	492,143
Total revenues	\$ 33,142,786	\$ 35,089,994	\$ 24,907,364	\$ 26,569,237	\$ 58,050,150	\$ 61,659,231
Expenses:						
General government	\$ 4,889,503	\$ 4,445,696	\$ -	\$ -	\$ 4,889,503	\$ 4,445,696
Judicial	2,919,603	3,019,214	-	-	2,919,603	3,019,214
Financial administration	1,572,166	1,716,628	-	-	1,572,166	1,716,628
Public facilities	1,157,274	1,284,063	-	-	1,157,274	1,284,063
Public safety	6,725,482	6,829,331	-	-	6,725,482	6,829,331
Public service	1,842,309	2,132,391	-	-	1,842,309	2,132,391
Health and welfare	3,079,257	2,908,749	-	-	3,079,257	2,908,749
Culture and recreation	3,777,064	3,955,948	-	-	3,777,064	3,955,948
Highways and streets	5,014,275	5,036,423	-	-	5,014,275	5,036,423
Conservation	203,147	235,346	-	-	203,147	235,346
Airport	102,669	120,204	-	-	102,669	120,204
Interest on long-term debt	27,569	13,717	-	-	27,569	13,717
Pecos County Memorial Hospital	-	-	33,805,580	34,736,744	33,805,580	34,736,744
Total expenses	31,310,318	31,697,710	33,805,580	34,736,744	65,115,898	66,434,454
Change in net position:						
Before transfers	1,832,468	3,392,284	(8,898,216)	(8,167,507)	(7,065,748)	(4,775,223)
Contributed capital	(2,282,642)	(1,476,395)	2,282,642	1,476,395	-	-
Transfers	(2,426,653)	(3,096,732)	2,426,653	3,096,732	-	-
Change in net position	(2,876,827)	(1,180,843)	(4,188,921)	(3,594,380)	(7,065,748)	(4,775,223)
Net position beginning, as previously stated	30,943,225	28,066,398	9,484,816	5,295,895	40,428,041	33,362,293
Change in accounting principle	-	(940,733)	-	(1,149,784)	-	(2,090,517)
Net position, beginning, restated	30,943,225	27,125,665	9,484,816	4,146,111	40,428,041	31,271,776
Net position, ending	\$ 28,066,398	\$ 25,944,822	\$ 5,295,895	\$ 551,731	\$ 33,362,293	\$ 26,496,553

**PECOS COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS**

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

**Governmental 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 Pecos County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current year, the County's governmental funds reported combined ending fund balances of \$25,890,882, an increase of \$2,325,152 in comparison with the prior year. Approximately 53% of this total amount constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to cover debt service, inventory, and revenues restricted for airport use generated from airport assets.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$13,176,388, while total fund balance was \$21,774,561.

**Proprietary Funds:** Unrestricted fund deficit of the County's enterprise fund, Pecos Memorial Hospital at the end of the year was a deficit of \$(13,272,726). The remainder of the fund balance is net investment in capital assets. The change in net position for the fund was a decrease of \$2,903,741. Unrestricted fund balance of the County's health self-insurance plan at the end of the year was \$64,517. The change in unrestricted net position for the fund was a decrease of \$1,015,401.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget are briefly summarized as follows:

- Actual revenues for 2015 were \$875,608 more than final budgeted revenues.
- Actual expenditures for 2015 were \$2,207,608 less than the final amended budget.
- All expenditure categories were less than the final budgeted figures.

This resulted in a net increase in the general fund balance for the year of \$1,745,460 after accounting for other financing sources as detailed on page 18 of this report.

**PECOS COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets:** The County's investment in capital assets for its governmental and business type activities as of December 31, 2015, amounts to \$41,600,125 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and other improvements.

**Pecos County, Texas  
Capital Assets  
(Net of depreciation)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2015	2014	2015	2014	2015
Land	\$ 1,260,531	\$ 1,300,915	\$ 85,649	\$ 85,649	\$ 1,346,180	\$ 1,386,564
Buildings	12,639,980	12,351,987	11,237,855	12,469,381	23,877,835	24,821,368
Improvements - other	3,274,059	3,339,630	128,227	142,168	3,402,286	3,481,798
Machinery and equipment	5,747,208	5,870,385	2,445,127	966,972	8,192,335	6,837,357
Construction in progress	515,677	908,261	2,626,158	1,083,202	3,141,835	1,991,463
Infrastructure	485,342	432,155	-	-	485,342	432,155
Leased assets	-	-	384,051	1,497,587	384,051	1,497,587
Capitalized Interest	-	-	1,195,506	1,151,833	1,195,506	1,151,833
<b>Total</b>	<b>\$ 23,922,797</b>	<b>\$ 24,203,333</b>	<b>\$ 18,102,573</b>	<b>\$ 17,396,792</b>	<b>\$ 42,025,370</b>	<b>\$ 41,600,125</b>

Additional information on the County's capital assets can be found in Note 6 on pages 47- 49 of this report.

**Long-term debt:** At the end of the current fiscal year, the County had total bonded debt outstanding of \$2,515,000. The County's debt is comprised as follows:

	Governmental Activities	
	2014	2015
General obligation	\$ 1,870,000	\$ 1,265,000
Unamortized bond premium	81,195	54,131
Grant repayment	143,694	-
Compensated absences	1,127,117	1,228,501
Other post-employment benefits obligation	19,692,948	23,989,962
<b>Total governmental activities</b>	<b>\$ 22,914,954</b>	<b>\$ 26,537,594</b>

  

	Business-type Activities	
	2014	2015
General obligation bonds	\$ 1,845,000	\$ 1,250,000
Capital lease obligation	405,760	552,363
Compensated absences	1,428,494	1,428,494
Other post-employment benefits obligation	12,663,855	16,101,072
<b>Total business-type activities</b>	<b>\$ 16,343,109</b>	<b>\$ 19,331,929</b>

**PECOS COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSET AND DEBT ADMINISTRATION – CONTINUED**

Additional information on Pecos County's long-term debt can be found in Note 8 on pages 50 through 53.

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

Pecos County has lost approximately 36% of its tax base over the past two years due to the decline in the oil and gas industry. The Commissioners' court has trimmed more than \$5M from the 2016 and 2017 budgets as we continue to operate in challenging economic times. The Commissioners' Court continues to monitor current economic conditions and prepare for the future. At this point, it appears taxable values should remain relatively stable for the 2018 budget year. The Court remains optimistic as they continue working with other industries and seek their investment in Pecos County.

**Requests for Information**

This financial report is designed to provide a general overview of Pecos County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County of Pecos, 103 W Callaghan, Fort Stockton, Texas 79735.

## **BASIC FINANCIAL STATEMENTS**

**PECOS COUNTY, TEXAS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 17,320,070	\$ 2,350,336	\$ 19,670,406
Investments	16,745,727	-	16,745,727
Receivables, net	16,305,407	5,006,629	21,312,036
Internal balances	2,066,420	(2,066,420)	-
Other assets	519	777,828	778,347
Capital assets, net	24,203,333	17,396,792	41,600,125
<b>Total assets</b>	<b>76,641,476</b>	<b>23,465,165</b>	<b>100,106,641</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pension	1,304,658	1,594,581	2,899,239
<b>Total deferred outflows of resources</b>	<b>1,304,658</b>	<b>1,594,581</b>	<b>2,899,239</b>
<b>Combined assets and deferred outflows of resources</b>	<b>\$ 77,946,134</b>	<b>\$ 25,059,746</b>	<b>\$ 103,005,880</b>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 2,284,991	\$ 2,681,478	\$ 4,966,469
Due to other governments	446,441	-	446,441
Estimated health claims payable	371,855	-	371,855
Net pension liability	2,041,042	2,494,608	4,535,650
Noncurrent liabilities:			
Due within one year	1,569,349	2,723,954	4,293,303
Due in more than one year	24,968,245	16,607,975	41,576,220
<b>Total liabilities</b>	<b>31,681,923</b>	<b>24,508,015</b>	<b>56,189,938</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property tax	19,189,631	-	19,189,631
Unavailable revenue - other	1,129,758	-	1,129,758
<b>Total deferred inflows of resources</b>	<b>20,319,389</b>	<b>-</b>	<b>20,319,389</b>
<b>Combined liabilities and deferred inflows of resources</b>	<b>52,001,312</b>	<b>24,508,015</b>	<b>76,509,327</b>
<b>NET POSITION</b>			
Net investment in capital assets	22,884,202	15,594,429	38,478,631
Restricted for:			
Airport	7,259,153	-	7,259,153
Road and bridge	1,626,505	-	1,626,505
Debt service	749,226	-	749,226
Federal and state grants	310,266	-	310,266
Legislation	1,028,040	-	1,028,040
Unrestricted	(7,912,570)	(15,042,698)	(22,955,268)
<b>Total net position</b>	<b>\$ 25,944,822</b>	<b>\$ 551,731</b>	<b>\$ 26,496,553</b>

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

<b>Function/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>
<b>Primary Government:</b>		
Governmental activities:		
General government	\$ 4,445,696	\$ 470,947
Judicial	3,019,214	547,709
Financial administration	1,716,628	203,659
Public facilities	1,284,063	743,889
Public safety	6,829,331	246,435
Public service	2,132,391	8,220
Health and welfare	2,908,749	1,109,442
Culture and recreation	3,955,948	198,282
Highways and streets	5,036,423	642,968
Conservation	235,346	-
Airport	120,204	137,453
Interest on long-term debt	13,717	-
<b>Total governmental activities</b>	<b>31,697,710</b>	<b>4,309,004</b>
Business-type activities:		
Pecos County Memorial Hospital	34,736,744	25,568,361
<b>Total business-type activities</b>	<b>34,736,744</b>	<b>25,568,361</b>
<b>Total primary government</b>	<b>\$ 66,434,454</b>	<b>\$ 29,877,365</b>

The Notes to Financial Statements are an integral part of these statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 435,673	\$ -	\$ (3,539,076)	\$ -	\$ (3,539,076)
-	-	(2,471,505)	-	(2,471,505)
-	-	(1,512,969)	-	(1,512,969)
-	-	(540,174)	-	(540,174)
1,223,895	-	(5,359,001)	-	(5,359,001)
780,119	-	(1,344,052)	-	(1,344,052)
27,229	-	(1,772,078)	-	(1,772,078)
-	-	(3,757,666)	-	(3,757,666)
1,400,180	-	(2,993,275)	-	(2,993,275)
-	-	(235,346)	-	(235,346)
-	-	17,249	-	17,249
-	-	(13,717)	-	(13,717)
3,867,096	-	(23,521,610)	-	(23,521,610)
900,676	89,217	-	(8,178,490)	(8,178,490)
900,676	89,217	-	(8,178,490)	(8,178,490)
<u>\$ 4,767,772</u>	<u>\$ 89,217</u>	(23,521,610)	(8,178,490)	(31,700,100)
<b>GENERAL REVENUES:</b>				
		24,132,279	-	24,132,279
		94,744	-	94,744
		34,494	-	34,494
		121,315	10,983	132,298
		1,359,601	-	1,359,601
		679,318	-	679,318
		492,143	-	492,143
		(4,573,127)	4,573,127	-
	<b>Total general revenues and transfers</b>	<u>22,340,767</u>	<u>4,584,110</u>	<u>26,924,877</u>
	Change in net position	(1,180,843)	(3,594,380)	(4,775,223)
	<b>NET POSITION, beginning of year, as originally reported</b>	28,066,398	5,295,895	33,362,293
	Change in accounting principle	(940,733)	(1,149,784)	(2,090,517)
	<b>NET POSITION, beginning of year, as restated</b>	<u>27,125,665</u>	<u>4,146,111</u>	<u>31,271,776</u>
	<b>NET POSITION, end of year</b>	<u>\$ 25,944,822</u>	<u>\$ 551,731</u>	<u>\$ 26,496,553</u>

**PECOS COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

		<u>General</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$	11,658,242
Investments		16,736,455
Receivables, net		
Property taxes		11,072,289
Other		1,986,632
Due from other funds		390,894
Inventory of supplies		519
		<hr/>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>41,845,031</b>
		<hr/> <hr/>
<b>LIABILITIES DEFERRED INFLOWS AND FUND BALANCES</b>		
Liabilities		
Accounts payable	\$	1,514,341
Due to other funds		-
Due to other governments		446,441
		<hr/>
<b>Total liabilities</b>		1,960,782
Deferred inflows of resources		
Unavailable revenue - property tax		15,685,604
Unavailable revenue - other revenues		2,424,084
		<hr/>
<b>Total deferred inflows of resources</b>		18,109,688
Fund balances		
Nonspendable:		
Inventories		519
Restricted:		
Airport use		7,259,153
Road and bridge		-
Debt service		-
Federal and state grants		-
Legislation		-
Assigned:		
Capital projects		-
Compensated absences		1,228,501
Unassigned		13,286,388
		<hr/>
<b>Total fund balances</b>		21,774,561
		<hr/> <hr/>
<b>TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCES</b>	<b>\$</b>	<b>41,845,031</b>

The Notes to Financial Statements are an integral part of these statements.

Road and Bridge Special Revenue	County- Wide Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 2,567,874	\$ 1,106,841	\$ 1,778,847	\$ 17,111,804
-	9,272	-	16,745,727
1,560,863	907,697	-	13,540,849
5,100	-	400,389	2,392,121
-	-	-	390,894
-	-	-	519
<u>\$ 4,133,837</u>	<u>\$ 2,023,810</u>	<u>\$ 2,179,236</u>	<u>\$ 50,181,914</u>
\$ 273,659	\$ -	\$ 348,430	\$ 2,136,430
-	-	94,446	94,446
-	-	-	446,441
273,659	-	442,876	2,677,317
2,233,673	1,270,354	-	19,189,631
-	-	-	2,424,084
2,233,673	1,270,354	-	21,613,715
-	-	-	519
-	-	-	7,259,153
1,626,505	-	-	1,626,505
-	753,456	-	753,456
-	-	310,266	310,266
-	-	1,028,040	1,028,040
-	-	398,054	398,054
-	-	-	1,228,501
-	-	-	13,286,388
<u>1,626,505</u>	<u>753,456</u>	<u>1,736,360</u>	<u>25,890,882</u>
<u>\$ 4,133,837</u>	<u>\$ 2,023,810</u>	<u>\$ 2,179,236</u>	<u>\$ 50,181,914</u>

**PECOS COUNTY, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2015**

Total fund balances - governmental funds \$ 25,890,882

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 in the governmental funds balance sheet.

24,203,333

Internal service funds are used by management to account for the self-  
insurance fund of the government. The assets and liabilities of the  
internal service fund are included in governmental activities in the  
statement of net position.

1,834,489

Certain assets, such as fines and fees receivable, are not available to pay  
for current-period expenditures and therefore, are deferred in the  
governmental funds.

1,294,326

Some assets, deferred outflows of resources, liabilities and deferred  
inflows of resources will not be recognized in the current period and  
therefore are not reported in the fund financial statements.

	Net pension liability	(2,041,042)	
	Deferred outflows of resources - pensions	<u>1,304,658</u>	(736,384)

Long-term liabilities, including bonds payable and related items, are not  
due and payable in the current period and therefore are not reported in the  
governmental funds.

(26,541,824)

Net position of governmental activities

\$ 25,944,822

**PECOS COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2015**

	<b>General</b>
<b>REVENUES</b>	
Taxes	\$ 19,600,427
Fines and forfeitures	20,486
Intergovernmental	474,124
Charges for services	2,721,885
Payment in lieu of taxes	1,359,601
Royalties	108,263
Interest	115,796
Proceeds from settlement	679,318
Other	110,268
	25,190,168
<b>Total revenues</b>	<b>25,190,168</b>
<b>EXPENDITURES</b>	
General government	4,704,040
Judicial	2,104,789
Financial administration	1,471,236
Law enforcement	1,818,114
Corrections	1,016,320
Health and welfare	2,566,445
Fire protection	559,738
Culture and recreation	2,586,641
Libraries	454,052
Building maintenance	462,512
Utilities	628,170
Conservation	178,572
Public service	442,933
Airport	88,504
Highways and streets	-
Capital outlay	-
Debt service principal	143,694
Debt service interest and fiscal charges	-
	19,225,760
<b>Total expenditures</b>	<b>19,225,760</b>
Excess of revenues over expenditures	5,964,408
Other financing sources (uses)	
Sale of asset	14,052
Transfers from other funds	-
Transfers to other funds	(4,233,000)
	(4,218,948)
<b>Total other financing sources (uses)</b>	<b>(4,218,948)</b>
Net change in fund balances	1,745,460
<b>FUND BALANCES, beginning of year</b>	<b>20,029,101</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 21,774,561</b>

The Notes to Financial Statements are an integral part of these statements.

Road and Bridge Special Revenue	County- Wide Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,236,483	\$ 1,295,369	\$ -	\$ 24,132,279
-	-	103,869	124,355
117,769	-	3,276,259	3,868,152
660,992	-	744,284	4,127,161
-	-	-	1,359,601
-	-	-	108,263
-	4	1,758	117,558
-	-	-	679,318
478,091	-	14,637	602,996
<hr/>	<hr/>	<hr/>	<hr/>
4,493,335	1,295,373	4,140,807	35,119,683
-	-	-	4,704,040
-	-	152,008	2,256,797
-	-	-	1,471,236
-	-	-	1,818,114
-	-	1,582,871	2,599,191
-	-	276,225	2,842,670
-	-	-	559,738
-	-	-	2,586,641
-	-	-	454,052
-	-	-	462,512
-	-	-	628,170
-	-	-	178,572
-	-	1,629,356	2,072,289
-	-	-	88,504
3,679,475	-	-	3,679,475
417,248	-	474,712	891,960
-	605,000	-	748,694
-	44,801	-	44,801
<hr/>	<hr/>	<hr/>	<hr/>
4,096,723	649,801	4,115,172	28,087,456
<hr/>	<hr/>	<hr/>	<hr/>
396,612	645,572	25,635	7,032,227
-	-	-	14,052
-	-	179,964	179,964
-	(643,127)	(24,964)	(4,901,091)
<hr/>	<hr/>	<hr/>	<hr/>
-	(643,127)	155,000	(4,707,075)
<hr/>	<hr/>	<hr/>	<hr/>
396,612	2,445	180,635	2,325,152
<hr/>	<hr/>	<hr/>	<hr/>
1,229,893	751,011	1,555,725	23,565,730
<hr/>	<hr/>	<hr/>	<hr/>
\$ 1,626,505	\$ 753,456	\$ 1,736,360	\$ 25,890,882

**PECOS COUNTY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
DECEMBER 31, 2015**

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

Net change in fund balances - governmental funds	\$ 2,325,152
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period net of disposition of capital assets.	280,536
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(4,190,029)
Net changes in revenues in the statement of activities that do not provide current financial resources and are not reported as revenue in the funds (i.e. deferred revenues and earned, but unavailable revenues.	(47,498)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	775,758
Internal service funds are used by management to charge the costs of self-insurance in individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>(324,762)</u>
Change in net position of governmental activities	<u><u>\$ (1,180,843)</u></u>

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2015**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Pecos County Memorial Hospital Fund</b>	<b>Internal Service Fund</b>
<b>ASSETS</b>		
Cash and investments	\$ 2,350,336	\$ 208,266
Accounts receivable	5,006,629	372,437
Other assets	777,828	-
Capital assets, net	17,396,792	-
<b>TOTAL ASSETS</b>	<b>25,531,585</b>	<b>580,703</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources - pensions	1,594,581	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>1,594,581</b>	<b>-</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 27,126,166</b>	<b>\$ 580,703</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,681,478	\$ 144,331
Due to County	296,448	-
Estimated health claims payable	-	371,855
Net pension liability	2,494,608	-
Noncurrent liabilities:		
Due within one year	2,723,954	-
Due in more than one year	16,607,975	-
<b>TOTAL LIABILITIES</b>	<b>24,804,463</b>	<b>516,186</b>
<b>NET POSITION</b>		
Net investment in capital assets	15,594,429	-
Unrestricted	(13,272,726)	64,517
<b>TOTAL NET POSITION</b>	<b>2,321,703</b>	<b>\$ 64,517</b>
Reconciliation to government-wide statement of net position:		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(1,769,972)	
<b>NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 551,731</b>	

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION  
 YEAR ENDED DECEMBER 31, 2015**

	<b>Business -Type Activities</b>	<b>Governmental Activities</b>
	<b>Pecos County Memorial Hospital Fund</b>	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>		
Net patient service revenue	\$ 23,795,568	\$ -
Other revenue	1,772,793	-
Charges for service	-	5,908,114
<b>Total operating revenues</b>	<b>25,568,361</b>	<b>5,908,114</b>
<b>OPERATING EXPENSES</b>		
Operating expenses	31,554,908	-
Depreciation	1,756,537	-
Claims	-	5,817,181
Administration - health	-	1,205,916
Administration - dental	-	31,222
Administration - life	-	20,953
<b>Total operating expenses</b>	<b>33,311,445</b>	<b>7,075,272</b>
<b>OPERATING LOSS</b>	<b>(7,743,084)</b>	<b>(1,167,158)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Noncapital grants and contributions	39,856	-
Indigent care support	860,820	-
Intergovernmental expense	(658,038)	-
Interest earned on investments	10,983	3,757
Interest expense	(76,622)	-
<b>Total nonoperating revenues (expenses)</b>	<b>176,999</b>	<b>3,757</b>
<b>LOSS BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(7,566,085)</b>	<b>(1,163,401)</b>
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<b>89,217</b>	<b>-</b>

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET POSITION  
 YEAR ENDED DECEMBER 31, 2015  
 (CONTINUED)**

	<u>Business - Type Activities</u>	<u>Governmental Activities</u>
	<u>Pecos County Memorial Hospital Fund</u>	<u>Internal Service Fund</u>
Transfers in	4,573,127	148,000
<b>Total transfers</b>	<u>4,573,127</u>	<u>148,000</u>
<b>CHANGE IN NET POSITION</b>	(2,903,741)	(1,015,401)
<b>NET POSITION, beginning of year, as originally reported</b>	6,375,228	1,079,918
<b>Change in accounting principle</b>	<u>(1,149,784)</u>	<u>-</u>
<b>NET POSITION, beginning of year, as restated</b>	<u>5,225,444</u>	<u>1,079,918</u>
<b>NET POSITION, end of year</b>	<u>\$ 2,321,703</u>	<u>\$ 64,517</u>
Reconciliation to government-wide statements of net assets:		
Change in net position	\$ (2,903,741)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund.	<u>(690,639)</u>	
Change in net position of business-type activities	<u>\$ (3,594,380)</u>	

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2015**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Pecos County Memorial Hospital Fund</b>	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from patients and third-party payors	\$ 24,698,531	\$ -
Other receipts and payments from operations, net	2,124,481	-
Receipts from participants	-	6,497,944
Payments to employees	(25,105,931)	-
Payments to suppliers	(3,094,238)	(7,188,513)
<b>Net cash used in operating activities</b>	<b>(1,377,157)</b>	<b>(690,569)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	10,983	3,757
<b>Net cash provided by investing activities</b>	<b>10,983</b>	<b>3,757</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital grants and contributions	89,217	-
Advances from Pecos County for capital expenditures	1,058,982	-
Principal payments of long-term debt and notes payable	(198,309)	-
Interest payments on long-term debt and notes payable	(28,495)	-
Purchase of capital assets	(681,844)	-
<b>Net cash provided by capital and related financing activities</b>	<b>239,551</b>	<b>-</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Payments for intergovernmental transfers	(658,038)	-
Transfers in	-	148,000
Advances from Pecos County for operations	3,096,732	-
Noncapital gains and contributions	39,856	-
<b>Net cash provided by noncapital financing activities</b>	<b>2,478,550</b>	<b>148,000</b>
Net increase (decrease) in cash and investments	1,351,927	(538,812)
<b>CASH AND INVESTMENTS, beginning of year</b>	<b>998,409</b>	<b>747,078</b>
<b>CASH AND INVESTMENTS, end of year</b>	<b>\$ 2,350,336</b>	<b>\$ 208,266</b>

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2015  
 (CONTINUED)**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Pecos County Memorial Hospital Fund</b>	<b>Internal Service Fund</b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (7,743,084)	\$ (1,167,158)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,756,537	-
Provision for bad debt	4,059,110	-
Indigent care support	860,821	-
Pension income	(249,757)	-
Other post employment benefit	3,437,217	-
Change in assets and liabilities:		
Accounts receivable	(3,698,570)	589,830
Other assets	771,428	-
Accounts payable and accrued expenses	(570,859)	20,991
Health claims payable	-	(134,232)
	<b>\$ (1,377,157)</b>	<b>\$ (690,569)</b>
<b>SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>		
Acquisition of capital assets under capital lease obligations	\$ 344,912	\$ -
Reduction of long-term debt on behalf of the hospital	\$ 595,000	\$ -
Interest expense related to reduction of long-term debt	\$ 48,128	\$ -
Capital asset purchases included in accounts payable	\$ 24,000	\$ -

The Notes to Financial Statements are an integral part of these statements.

**PECOS COUNTY, TEXAS  
 AGENCY FUNDS  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 DECEMBER 31, 2015**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 2,560,843
<b>TOTAL ASSETS</b>	\$ 2,560,843
<b>LIABILITIES</b>	
Accounts payable	\$ 18,396
Due to other governments	1,307,605
Due to beneficiaries	1,234,842
<b>TOTAL LIABILITIES</b>	\$ 2,560,843

The Notes to Financial Statements are an integral part of these statements.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General Statement**

Pecos County, Texas (the County) performs all local government functions within its jurisdiction. 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 and V.A.C.S. 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 Pecos County, Texas. The County provides the following services to its citizens: public safety, health and welfare, public facilities, judicial and legal, election functions, public transportation through roads and bridges, and general and financial administrative services.

The accounting and reporting policies of the County relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the County are described below.

**A. Financial Reporting Entity**

Generally accepted accounting principles require that the financial statements present the County (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

In addition, GASB, states that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**A. Financial Reporting Entity – Continued**

If these certain organizations were excluded, they would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met:

- The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
- The primary government, or its component units, are entitled to, or have the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
- The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government.

In addition, other organizations should be evaluated as potential component units if they are closely related to, or financially integrated with, the primary government. It is a matter of professional judgment to determine whether the nature and the significance of a potential component unit's relationship with the primary government warrant inclusion in the reporting entity.

The component units discussed in this note are included in the County's reporting entity because of the nature and significance of their operational or financial relationships with the County.

Blended Component Units:

There are no blended component units.

Discretely Presented Component Units:

There were no discretely presented component units in 2015.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**B. Government-Wide and Fund Financial Statements**

The basic financial statements of the County are presented at two basic levels, the government-wide level and the fund level. These statements focus on the County as a whole at the government-wide level and on major funds at the fund level whereas financial statements prior to GASB No. 34 focused on reporting by fund-type. The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities for the financial reporting entity of the County. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The government-wide statement of net position reports all financial and capital resources of the County and is presented in an “assets minus liabilities equal net position” format with net position reported in the order of relative liquidity. Also, assets and liabilities are presented in relative order of liquidity with liabilities which have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the County’s functions (General, Judicial, Financial Administration, Public Facilities, Public Safety, Public Service, Health and Welfare, Cultural and Recreation, Highways and Streets, Conservation and Airport) on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function. Program revenues are revenues derived directly from the function or from other sources which reduce the net cost of the function to be financed from general government revenues.

Program revenues are: 1) charges to customers who purchase, use, or directly benefit from services provided by a function and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function and, 3) grants and contributions restricted to capital requirements of a function. Items such as taxes, investment earnings and non-specific grants are not included as program revenues but are instead reported as general revenues which normally cover the net cost of a function.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**B. Government-Wide and Fund Financial Statements – Continued**

The effect of internal service fund activities in the government-wide statements is eliminated to the extent possible to avoid the effect of “doubling up” internal service fund activity. Internal service funds report activities which provide goods or services to the financial reporting entity on a cost reimbursement basis. Any net profit or loss from these activities is allocated back to the function or segment that benefited from the goods or services provided based upon their proportionate benefit to the extent possible. Any residual assets of internal service funds are reported with governmental activities at the entity-wide level.

Fund level financial statements are presented for governmental funds and proprietary funds with a focus on major funds (defined by GASB Statements), and fiduciary funds, which are excluded from the government-wide financial statements because they do not represent assets which can be used to support the County’s programs. Additionally, any fund deemed particularly important by the County may be reported as a major fund. The financial information for each major fund is presented in a separate column, with nonmajor funds aggregated and displayed in a single column.

The fund level statements for proprietary funds contain enterprise and internal service funds.

The focus of fiduciary funds is on net position and changes in net position. These funds report assets held in a trustee or agency capacity by the County for the benefit of others and cannot be used to support County activities.

The government-wide statements and proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Exchange and exchange-like transactions, transactions in which the County gives or receives value and receives or gives equal value, that create revenues, expenses, gains, losses, assets or liabilities are recognized when the exchange occurs.

**Governmental Funds**

The County reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**B. Government-Wide and Fund Financial Statements – Continued**

**Governmental Funds – Continued**

Road and Bridge Fund – The Road and Bridge Fund is a special revenue fund of the County. It is used to account for the expenditures of the four different precincts and for the highway and streets expenditures.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources that are legally restricted to expenditures for the specified purpose of the retirement of long-term debt, including debt principal, interest and related costs.

Additionally, the County reports the following non-major governmental fund types:

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

Capital Project Funds – The Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

**Proprietary Funds**

The County reports the following major proprietary funds:

**Pecos County Memorial Hospital Enterprise Fund**

The Hospital is operated under a Board of Directors, which is appointed by the elected county commissioners. The County's general fund subsidizes the Hospital as needed with a budgeted portion of the ad valorem tax revenue assessed by the County each year. The Hospital's funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable. 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 funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense.

Separate financial statements for the Hospital may be obtained by contacting the Pecos County Memorial Hospital.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**B. Government-Wide and Fund Financial Statements – Continued**

**Proprietary Funds – Continued**

**Pecos County Memorial Hospital Enterprise Fund – Continued**

In addition, the County reports the following proprietary fund as an internal service fund:

**Health Self-Insurance Fund**

Internal Service Funds – The County utilizes an Internal Service Fund to account for its health self-insurance plan. The General Fund is contingently liable for liabilities of these funds. Sub-fund accounting is employed to maintain the integrity of the various self-insurance activities of the County. See Note 10 for additional discussion of the County’s self-insurance plan.

**Fiduciary Fund Type – Agency Funds**

Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Agency Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for Fiduciary Funds. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements.

**C. Measurement Focus and Basis of Accounting**

Nonexchange transactions, transactions in which the County gives or receives value without receiving or giving equal value in exchange, that result in revenues, expenses, gains, losses, assets or liabilities are recognized in accordance with GASB. The treatment of nonexchange transactions is grouped in four classes based upon the principal characteristics of the transaction and reported according to those characteristics. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Capital assets are reported at historical cost and depreciated, except for inexhaustible assets such as land, in accordance with the County’s depreciation policy.

Governmental fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**C. Measurement Focus and Basis of Accounting – Continued**

In the case of property taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days.

Grant revenues are considered to be available if they are to be received within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt, compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, fines, licenses, and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. Property taxes are levied on October 1 for the next calendar year. Special assessments due within the current fiscal period are recorded as revenue of the current period.

Governmental fund level revenues which have been accrued based upon the susceptible to accrual concept are:

General Fund – Ad valorem taxes, interest and federal and state grant proceeds, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Special Revenue Funds – Federal and state grant proceeds and interest, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Debt Service Fund – Ad valorem taxes and interest.

Proprietary fund activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. This measurement focus includes all assets and liabilities on the balance sheet. Operating statements using this focus present a net total assets view of increases (revenues) and decreases (expenses) in the fund.

Proprietary fund operating statements distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally are the result of providing or delivering goods or services in association with the fund's principal ongoing operations.

Transactions resulting in nonoperating revenues and expenses are normally created by such items as cash flows from capital and related financing activities, noncapital financing activities, investing activities, and include most nonexchange and exchange-like revenues.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**D. Cash and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank, approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract.

The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The County's cash deposits at December 31, 2015, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank.

**E. Encumbrances**

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at December 31, and encumbrances outstanding at that time are cancelled and become available for future appropriation.

**F. Property Taxes**

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 County is permitted by the Municipal Finance Law of the state of Texas to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal established by the Attorney General of the state of Texas. The tax rate for the year ended December 31, 2015, excluding that portion budgeted for the retirement of long-term debt principal and interest was \$0.7461 per \$100 valuation. The total tax rate for all purposes was \$0.7990 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 full allowance being made for delinquent taxes.

All trade and property tax receivables are shown net of an allowance for uncollectibles.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**G. Interfund Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**H. Inventories**

Inventories are stated at the lower cost or market using the first-in, first-out method. Inventories for all funds consist of expendable supplies held for consumption, and are recorded as expenditures or expenses, as appropriate, when consumed rather than when purchased.

**I. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Depreciable capital assets are depreciated using the straight-line method over the asset’s estimated useful life as follows:

Buildings	25-50	years
Improvements other than buildings	5-30	years
Machinery and equipment	5-30	years
Infrastructure	15-35	years

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**J. Deferred Inflows of Resources**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and other revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**K. Fund Balance**

The County has adopted the provisions of Governmental Accounting Standards Board Statement. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance categories under GASB 54 are Nonspendable and Spendable. Classifications under the Spendable category are Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

In accordance with GASB 54, the County classifies governmental fund balances effective with its financial statements as follows:

1. Nonspendable Fund Balance:
  - a. Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**K. Fund Balance – Continued**

2. Spendable Fund Balance:

- a. Restricted Fund Balance – Includes amounts constrained to use by either (a) externally imposed by creditors, grantors, contributors, or other governments' laws and regulations or (b) imposed by law through constitutional provisions or enabling legislation. Examples include federal and state grant programs, taxes restricted for retirement of long-term debt, and specific bond proceeds. In addition, certain revenues generated by airport property which was given to the County by the FAA are restricted. Pecos County also obtained the mineral rights from the FAA with this property, and its accumulated revenues mentioned above are restricted.
- b. Committed Fund Balance – Includes amounts constrained to specific purposes as determined by the governing body by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The commissioners' court must take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year. The County has no committed fund balances.
- c. Assigned Fund Balance – Includes amounts intended to be used by the County for specific purposes. Pursuant to GASB 54, this intent can be expressed by an official or body to which the governing body delegates that authority. The County has delegated to the County Judge and County Auditor the ability to determine and define the amounts of those components of fund balance that are classified as Assigned.
- d. Unassigned Fund Balance – Includes the residual classification of the General Fund and includes all amounts not contained in other classifications. By accounting for amounts in other funds, the County has implicitly assigned the funds for the purposes of those particular funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

The County passed a resolution to establish a minimum fund balance policy. The policy states the County shall strive to achieve a yearly fund balance in the general operating fund in which the total fund balance is equal to 25% of the total operating expenditures.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**L. Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Certain revenues generated by airport property which was given to the County by the FAA are restricted. Pecos County also obtained the mineral rights from the FAA with this property, and its accumulated revenues mentioned above are restricted. A value from the mineral rights has not been reported in these financial statements.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, unrestricted resources are applied first.

**M. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**N. Risk Management**

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omission and natural disasters. During fiscal year 2015, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**O. Pensions**

During the year ended December 31, 2015, the County adopted a new accounting policy upon adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, the County specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS) and additions to/deductions from the County's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. 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 was obtained from TCERS through a report prepared for the County by TCERS consulting actuary, Milliman.

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

- A.** Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes as reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The detail of this \$(26,541,824) difference is as follows:

Bonds, certifications of obligations and tax notes payable	\$ (1,265,000)
Bond premium liability	(54,131)
Accrued interest payable	(4,230)
Compensated absences	(1,228,501)
Other post employment benefits	<u>(23,989,962)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> <i>to arrive at net position – governmental activities</i>	<u>\$ (26,541,824)</u>

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

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED**

- B.** Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation *between net changes in fund balances – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The detail of this \$280,536 difference is as follows:

Capital outlay	\$ 2,310,116
Depreciation expense	<u>(2,029,580)</u>
<i>Net adjustment to decrease net change in fund balances- total governmental funds to arrive at change in net position of governmental activities.</i>	
	<u><u>\$ 280,536</u></u>

Another element of that reconciliation states that “some expenses reported in the statement of activities did not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The detail of this \$(4,190,029) difference is as follows:

Net change in compensated absences	\$ (101,384)
Net change in interest accrual	4,020
Net pension income (expense)	204,349
Net change in other post employment benefits	<u>(4,297,014)</u>
<i>Net adjustment to decrease net change in fund balances total governmental funds to arrive at change in net position of governmental activities</i>	
	<u><u>\$ (4,190,029)</u></u>

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

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – CONTINUED**

- B.** Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities. – Continued

Another element of that reconciliation states that the “issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.” Neither transaction, however, has any effect on net position.

Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of this \$775,758 difference is as follows:

Amortization of bond premium	\$	27,064
Principal repayments:		
Refunding bonds		605,000
Grant repayment		143,694
		143,694
<i>Net adjustment to increase net change in fund balances</i>		
<i>total governmental funds to arrive at change in</i>		
<i>net position of governmental activities</i>		
	\$	775,758

**NOTE 3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**DEFICIT FUND EQUITY**

All of the County’s funds held positive fund equity at December 31, 2015.

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

**NOTE 4. CASH AND INVESTMENTS**

The County invests its funds in investments authorized by Texas law in accordance with investment policies approved by the County Commissioners. Both state law and the County's investment policies are subject to change.

Under current Texas law, the County is authorized to invest in: (1) obligations of the United States or its instrumentalities, (2) direct obligations of the state of Texas or its agencies, (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 agency, (6) certificates of deposit that are guaranteed or insured by the Federal Deposit Insurance Corporation or are secured as to principal by obligations described in the preceding clauses 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 clause one, and are placed through a primary government securities dealer or a bank domiciled in the state of Texas, (8) bankers acceptances with the remaining term of 270 days or less, in the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1, or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies, or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank, (10) no-load money market mutual funds registered with the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less, and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, (11) bonds issued, assumed, or guaranteed by the state of Israel, and (12) a qualified common trust fund or comparable investment device that is owned or administered by a Texas domiciled bank and consists exclusively of obligations as described above. The County may invest in such obligations directly or through government investment pools that invest solely in such obligations.

**Investment Policies**

Under Texas law, County investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived."

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

**NOTE 4. CASH AND INVESTMENTS – CONTINUED**

**Investment Policies – Continued**

Under Texas law and County policy, the County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all County funds must be invested in investments that protect principal, are consistent with the operating requirements of the County, and yield the highest possible rate of return.

**Objectives**

Funds of the County are invested in accordance with state law, IRS arbitrage regulations, investment policies and written administrative procedures. The County’s objectives in managing its investment portfolios are as follows:

1. Safety – The first and foremost consideration of any custodian of public funds must be safety of the principal amount involved.
2. Liquidity – The County must have cash or “near cash” on hand to meet current obligations.
3. Legality – Any investment should clearly be legal under state law, county investment policy and IRS arbitrage regulations.
4. Income – While it is certainly desirable to show a high effective rate of return on invested funds, it is important to recognize that it is essential to keep every dollar working every day, even at a reduced rate of return.
5. Flexibility – This means not only the ability to convert an investment to cash, but also the option to convert a security to a higher rate of interest, a better maturity, or both. In addition, flexibility allows the use of various investment tools available.

During the year ended December 31, 2015 the County invested in mutual funds with ICT-Government Securities Portfolio.

Investments owned by the County at December 31, 2015 are shown below:

	Fair Value	Credit Risk
ICT-Government Securities Portfolio	\$ 16,745,727	AAAm – S & P
	\$ 16,745,727	

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

**NOTE 4. CASH AND INVESTMENTS – CONTINUED**

**Objectives – Continued**

Because the County's investments are in external pools, their investments are not exposed to credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Investments in external pools are excluded from disclosure regiments of concentration of credit and from disclosure of interest rate risk.

The County's cash accounts are categorized to give an indication of the level of credit risk assumed at year-end. The categories are defined as:

- Category 1 Insured or collateralized with securities held by the entity or by its agent in the entity's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3 Uncollateralized includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department agent, but not in the entity's name.

At year-end, the carrying amount of the County's cash and cash equivalents was \$22,231,249 (bank deposits were \$17,320,070 in governmental activities, \$2,350,336 in business-type activities and \$2,560,843 in agency funds). The bank balances totaled \$22,154,850 of which \$271,809 was covered by Federal Depository Insurance Corporation (FDIC) and \$21,883,041 was covered by collateral held by the pledging banks' agent for the County in the County's name (or Category 1 above).

Interest Rate Risk – In compliance with the County's investment policy, as of December 31, 2015, the County minimized the interest rate risk, related to the decline in market value of securities due to rising interest rates in the portfolio by: 1) limiting the effective duration of security types not to exceed three years with the exception of securities purchases related to reserve funds, 2) structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity, 3) monitoring credit rating of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act, and 4) investing operating funds primarily in shorter-term securities and government investment pools.

Credit Risk – In compliance with the County's investment policy, as of December 31, 2015, the County minimized credit risk losses due to default of a security issuer or backer, by: 1) limiting investments to the safest types of securities by purchasing investments in ICT Government Securities that were rated AAA, AAA, and Aaa by Standard & Poor's, Fitch and Moody's, respectively, 2) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business, and 3) diversifying the investment portfolio so that potential losses on individual securities were minimized.

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

**NOTE 5. RECEIVABLES**

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

	General Fund	Road and Bridge Fund	Debt Service Fund	Nonmajor Funds	Business- Type Activities	Internal Service Funds	Total
Receivables:							
Taxes	\$ 12,343,385	\$ 1,757,732	\$ 999,672	\$ -	\$ -	\$ -	\$ 15,100,789
Patients	-	-	-	-	21,009,965	-	21,009,965
Other	424,613	5,100	-	400,389	1,642,032	372,437	2,844,571
Fines and fees	10,861,869	-	-	-	-	-	10,861,869
Gross receivables	<u>23,629,867</u>	<u>1,762,832</u>	<u>999,672</u>	<u>400,389</u>	<u>22,651,997</u>	<u>372,437</u>	<u>49,817,194</u>
Less: allowance for uncollectibles	<u>(10,570,946)</u>	<u>(196,869)</u>	<u>(91,978)</u>	<u>-</u>	<u>(17,645,368)</u>	<u>-</u>	<u>(28,505,161)</u>
Net total receivables	<u>\$ 13,058,921</u>	<u>\$ 1,565,963</u>	<u>\$ 907,694</u>	<u>\$ 400,389</u>	<u>\$ 5,006,629</u>	<u>\$ 372,437</u>	<u>\$ 21,312,033</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental activities defer revenue recognition in connection with resources that have been received, but not yet earned, such as property tax revenue that is levied for the following fiscal year. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Property taxes	\$ 19,189,631
Other	2,424,084
Total	<u>\$ 21,613,715</u>

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

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Balance 12/31/2014	Additions/ Completions	Retirements/ Adjustments	Balance 12/31/2015
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,260,531	\$ 40,384	\$ -	\$ 1,300,915
Construction-in-progress	515,677	392,584	-	908,261
Total capital assets, not being depreciated	<u>1,776,208</u>	<u>432,968</u>	<u>-</u>	<u>2,209,176</u>
Capital assets, being depreciated:				
Buildings	19,545,886	106,800	-	19,652,686
Improvements other than buildings	6,206,337	259,687	-	6,466,024
Machinery and equipment	15,415,991	1,456,050	(86,963)	16,785,078
Infrastructure	1,236,551	-	-	1,236,551
Total capital assets, being depreciated	<u>42,404,765</u>	<u>1,822,537</u>	<u>(86,963)</u>	<u>44,140,339</u>
Less accumulated depreciation for:				
Buildings	(6,905,906)	(397,629)	2,836	(7,300,699)
Improvements other than buildings	(2,932,278)	(213,326)	19,210	(3,126,394)
Machinery and equipment	(9,668,783)	(1,364,435)	118,525	(10,914,693)
Infrastructure	(751,209)	(54,190)	1,003	(804,396)
Total accumulated depreciation	<u>(20,258,176)</u>	<u>(2,029,580)</u>	<u>141,574</u>	<u>(22,146,182)</u>
Total capital assets being depreciated, net	<u>22,146,589</u>	<u>(207,043)</u>	<u>54,611</u>	<u>21,994,157</u>
Governmental activities capital assets, net	<u>\$ 23,922,797</u>	<u>\$ 225,925</u>	<u>\$ 54,611</u>	<u>\$ 24,203,333</u>

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

**NOTE 6. CAPITAL ASSETS – CONTINUED**

	Balance 12/31/2014	Additions/ Completions	Retirements/ Adjustments	Balance 12/31/2015
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 85,649	\$ -	\$ -	\$ 85,649
Construction-in-progress	2,626,158	189,705	(1,732,661)	1,083,202
Total capital assets, not being depreciated	2,711,807	189,705	(1,732,661)	1,168,851
Capital assets, being depreciated:				
Land improvements	693,827	24,745	17,149	735,721
Buildings and improvements	22,278,163	277,450	1,715,512	24,271,125
Equipment	12,481,490	213,944	-	12,695,434
Leased assets	834,247	344,912	-	1,179,159
Capitalized interest	1,746,954	-	-	1,746,954
Total capital assets, being depreciated	38,034,681	861,051	1,732,661	40,628,393
Less accumulated depreciation for:				
Land improvements	(565,600)	(27,953)	-	(593,553)
Buildings and improvements	(11,040,308)	(761,436)	-	(11,801,744)
Equipment	(10,036,363)	(736,828)	(955,271)	(11,728,462)
Leased assets	(450,196)	(186,647)	955,271	318,428
Capitalized interest	(551,448)	(43,673)	-	(595,121)
Total accumulated depreciation	(22,643,915)	(1,756,537)	-	(24,400,452)
Total capital assets being depreciated, net	15,390,766	(895,486)	1,732,661	16,227,941
Business-type activities capital assets, net	\$ 18,102,573	\$ (705,781)	\$ -	\$ 17,396,792

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

**NOTE 6. CAPITAL ASSETS – CONTINUED**

**Primary Government**

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

General government	\$ 103,127
Judicial	34,136
Law enforcement	339,640
Corrections	46,575
Health and welfare	200,573
Fire protection	185,243
Culture and recreation	352,516
Library	14,431
Financial administration	10,690
Building maintenance	18,996
Conservation	267
Highway and streets	654,558
Airport	<u>68,828</u>
Total depreciation expense – governmental activities	<u><u>\$ 2,029,580</u></u>
Business-type activities:	
Pecos County Memorial Hospital	<u>\$ 1,756,537</u>
Total depreciation expense - business-type activities	<u><u>\$ 1,756,537</u></u>

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

**NOTE 7. INTERFUND RECEIVABLES AND PAYABLES**

During the course of the fiscal year, interfund payables and receivables arise. The following were outstanding as of December 31, 2015:

Fund	Receivable	Payable
General fund	\$ 390,894	\$ -
Nonmajor governmental funds:		
Border Security III Fund	-	22,345
Border prosecution	-	31,259
Federal Victims of Crime Act Fund	-	4,017
Local border security - LBSP - 13	-	23,473
High intensity drug trafficking	-	13,352
Total nonmajor governmental funds	-	94,446
Enterprise fund:		
Pecos County Memorial Hospital	-	296,448
Total all funds	\$ 390,894	\$ 390,894

**NOTE 8. LONG-TERM DEBT**

**Governmental Activities**

**Refunding Bonds**

The County issued \$3,085,000 General Obligation Refunding Bonds, Series 2011 for the purpose of refunding the Certificates of Obligation 2002 Series Certificates above. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the general long-term debt group. Principal payments are due in annual installments on May 1, maturing in May 2017. Interest is payable May 1 and November 1, at interest rates ranging from 2.00% to 3.00%. The issuance of the General Obligation Refunding Bonds Series 2011 produced a present value savings of \$256,867 and actual debt service savings of \$271,798, net of any issuer contribution to the refunding, being equal to 8.299% net present value savings for the Refunded Obligations. The outstanding balance at December 31, 2015 was \$1,265,000.

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

**NOTE 8. LONG-TERM DEBT – CONTINUED**

**Business-Type Activities**

**General Obligation Bonds**

The County issued \$5,000,000 of General Obligation Bonds, Series 2008 for the purpose of constructing, enlarging and equipping the County Hospital with a physical therapy/wellness center. Principal payments are due in annual installments on February 1, maturing in 2017. Interest is payable February 1 and August 1, at an interest rate of 3.11%. The outstanding balance at December 31, 2015 is \$1,250,000.

The following is a summary of changes in general long-term debt:

**Primary Government**

	Balance 12/31/2014	Additions	Retirements	Balance 12/31/2015	Amount Due within one year
<b>Governmental Activities:</b>					
Refunding bonds	\$ 1,870,000	\$ -	\$ 605,000	\$ 1,265,000	\$ 625,000
Unamortized bond premium	81,195	-	27,064	54,131	-
Grant repayment	143,694	-	143,694	-	-
Accrued compensation	1,127,117	101,384	-	1,228,501	153,563
Other post employment benefits obligation	19,692,948	4,297,014	-	23,989,962	790,786
<b>Total governmental activities</b>	<b>\$ 22,914,954</b>	<b>\$ 4,398,398</b>	<b>\$ 775,758</b>	<b>\$ 26,537,594</b>	<b>\$ 1,569,349</b>
	Restated Balance 12/31/2014	Additions	Retirements	Balance 12/31/2015	Amount Due within one year
<b>Business-type activities:</b>					
General obligation bonds	\$ 1,845,000	\$ -	\$ 595,000	\$ 1,250,000	\$ 615,000
Capital lease obligation	405,760	344,912	198,309	552,363	228,179
Accrued compensation	1,428,494	-	-	1,428,494	1,428,494
Other post employment benefits obligation	12,663,855	3,437,217	-	16,101,072	452,281
<b>Total business-type activities</b>	<b>\$ 16,343,109</b>	<b>\$ 3,782,129</b>	<b>\$ 793,309</b>	<b>\$ 19,331,929</b>	<b>\$ 2,723,954</b>

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

**NOTE 8. LONG-TERM DEBT – CONTINUED**

The following is a summary of debt service requirements for the general obligation bonds, certificates of obligation, tax notes and refunding bonds:

Year	Governmental Activities			Business-type Activities		
	Bonds Payable			Bonds Payable		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 625,000	\$ 28,575	\$ 653,575	\$ 615,000	\$ 29,312	\$ 644,312
2017	640,000	9,600	649,600	635,000	9,874	644,874
	<u>\$ 1,265,000</u>	<u>\$ 38,175</u>	<u>\$ 1,303,175</u>	<u>\$ 1,250,000</u>	<u>\$ 39,186</u>	<u>\$ 1,289,186</u>

**Capital Lease Obligations**

The County entered into certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the governmental activities column of the statement of net assets. Governmental activities assets under capital leases totaled \$951,476 at December 31, 2015 and are included in the capital assets being depreciated. The outstanding balance of governmental activities capital lease obligations at December 31, 2015 was \$0. Business-type activities assets under capital leases total \$1,179,159 at December 31, 2015. The outstanding balance of business-type activities capital lease obligations at December 31, 2015 was \$552,363.

The following is a summary of debt service requirements for the Capital Lease Obligations:

Total Year End Requirements	Business-type Activities
2016	\$ 270,932
2017	163,032
2018	113,791
2019	67,584
2020	39,425
Minimum lease payments	654,764
Less: Amount representing interest	<u>(102,401)</u>
Present Value of minimum lease payments	<u>\$ 552,363</u>

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

**NOTE 8. LONG-TERM DEBT – CONTINUED**

**Grant Repayment Liability**

In October 2010, the County received the Texas Community Development Block Grant (TxCDBG) to construct one new water well and replace ten failing on-site sewage facilities with service connections. During 2013, the water well was determined to be non-compliant with Housing and Urban Development National Program Objective requirements and consequently all costs associated with the water well were disallowed. The County entered into an agreement with the granting agency for repayment of the costs associated with the water well. The total amount of the liability was \$423,694. The liability was paid off during fiscal year December 31, 2015.

**NOTE 9. COMPENSATED ABSENCES**

**Governmental Activities:**

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, compensatory pay and sick pay are paid upon termination. The amount of sick leave paid is dependent on the number of years of service. The liability for accrued vacation, compensatory pay and sick pay is shown as a long-term obligation. At December 31, 2015 the value of accumulated vacation, compensatory benefits and sick time amounted to \$1,228,501 which is a net increase of \$101,384 from the prior year. The estimated amount that is current is \$153,563.

**Business-type activities:**

As of December 31, 2015, the Hospital has accrued a compensated absences liability of \$1,428,494, which is the same as the prior year. The Hospital reports 100% of the estimated liability as current.

**NOTE 10. HEALTHCARE COVERAGE**

During the year ended December 31, 2015, employees of Pecos County, Texas were covered by a self-funded health insurance plan (the Plan). The County contributes \$800 per month per employee for coverage. Employees authorize payroll withholdings to pay for a portion of the premium. The Plan is accounted for in the Self-Insurance Health Fund, an internal service fund. Should the Plan's income from operations for a given Plan year be inadequate to pay the ultimate cost of claims incurred in that Plan year, the General fund is liable to pay the additional claims.

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

**NOTE 10. HEALTHCARE COVERAGE – CONTINUED**

The County obtained excess loss insurance, which limited annual claims paid from the fund for the year ended December 31, 2015, to \$100,000 for any individual participant and an aggregate limit equal to \$7,094,925.

Estimates of claims payable and of claims incurred but not reported at December 31, 2015, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities during the past two years are as follows:

	<u>Year ended December 31, 2015</u>	<u>Year ended December 31, 2014</u>
Unpaid claims, beginning of year	\$ 506,087	\$ 525,253
Incurred claims, (including IBNR)	5,778,220	6,170,176
Claim payments	<u>(5,912,452)</u>	<u>(6,189,342)</u>
Unpaid claims, end of year	<u>\$ 371,855</u>	<u>\$ 506,087</u>

**NOTE 11. RETIREMENT COMMITMENTS**

**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

**Plan Description**

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the 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 559 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight 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.

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

**NOTE 11. RETIREMENT COMMITMENTS – CONTINUED**

**Plan Description – Continued**

Members are vested after eight years of service, but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

**Benefits Provided**

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

At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefits as of December 31, 2014 include:

Retirees or beneficiaries currently receiving benefits	206
Inactive employees entitle to but not yet receiving benefits	361
Active employees	498
Total	1065

**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. The employer contributed using a rate of 7.00%, which was in excess of the actuarially determined rate for the year 2015.

The deposit rate payable by the employee members for calendar year 2014 and 2015 is the rate of 7.00% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

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

**NOTE 11. RETIREMENT COMMITMENTS – CONTINUED**

**Net Pension Liability**

The County’s net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2014
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 Years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.00%
Salary Increase	1.40%
Investment Rate of Return	8.10%
Payroll Growth	3.50%

Mortality rates for depositing members were based on the RP-2000 Active Employee Mortality Table for Males or Females, as appropriate, with a two-year set-forward for males and a four-year setback for females, based on projection scale AA. Mortality rates service retirees, beneficiaries and non-depositing members were based on the RP-2000 Combined Mortality Table, with a projection scale of AA with a one year age set forward for males and no age adjustment for females. Mortality rates for disabled retirees RP-2000 Disabled Mortality Table for Males or Females, as appropriate, with no age adjustment for males and a two year set-forward females, based on projection scale AA.

Family composition for current retirees’ beneficiary information is supplied by TCDRS. For the purpose of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the years 2009-2012.

The long-term expected rate of return on 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.

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

**NOTE 11. RETIREMENT COMMITMENTS – CONTINUED**

**Net Pension Liability – Continued**

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected minus Inflation)</u>
US Equities	16.50%	5.35%
Private Equity	12.00%	8.35%
Global Equities	1.50%	5.65%
International Equities-Developed	11.00%	5.35%
International Equities-Emerging	9.00%	6.35%
Investment-Grade Bonds	3.00%	0.55%
High-Yield Bonds	3.00%	3.75%
Opportunistic Credit	5.00%	5.54%
Direct Lending	2.00%	5.80%
Distressed Debt	3.00%	6.75%
REIT Equities	2.00%	4.00%
Commodities	2.00%	-0.20%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	3.00%	7.20%
Hedge Funds	<u>25.00%</u>	5.15%
 Total	 100.0%	

The discount rate used to measure the total pension liability was 8.10%, which is consistent with the prior year discount rate. 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 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 Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The best estimates of geometric real rates of return for each major asset class included in the TCDRS' target asset allocation as of January 2015 are summarized below.

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

**NOTE 11. RETIREMENT COMMITMENTS – CONTINUED**

**Changes in the Net Pension Liability**

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2013	\$ 66,165,041	\$ 61,914,552	\$ 4,250,489
Changes for the year:			
Service cost	2,780,990	-	2,780,990
Interest on total pension liability (1)	5,343,058	-	5,343,058
Effect of economic/demographic gains or losses	47,248	-	47,248
Refund of contributions	(247,847)	(247,847)	-
Benefit payments	(2,943,867)	(2,943,867)	-
Administrative expenses	-	(49,507)	49,507
Member contributions	-	1,574,247	(1,574,247)
Net investment income	-	4,215,709	(4,215,709)
Employer contributions	-	2,159,972	(2,159,972)
Other (2)	-	(14,286)	14,286
Balances as of December 31, 2014	<u>\$ 71,144,623</u>	<u>\$ 66,608,973</u>	<u>\$ 4,535,650</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.

**Discount Rate Sensitivity Analysis.**

The following presents the net pension liability of the County as of December 31, 2014, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.10%) or 1% higher (9.10%) than the current rate.

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 80,454,537	\$ 71,144,624	\$ 63,508,409
Fiduciary net pension	66,608,973	66,608,973	66,608,973
Net pension liability / (asset)	<u>\$ 13,845,564</u>	<u>\$ 4,535,651</u>	<u>\$ (3,100,564)</u>

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

**NOTE 11. RETIREMENT COMMITMENTS – CONTINUED**

**Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources**

**Related to Pensions**

For the year ended December 30, 2015, the County recognized pension expense of \$1,715,387 related to the December 31, 2014 valuation. At December 31, 2015, the County reported deferred inflows and outflows of resources related to the Plan from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 35,436
Net difference between projected and actual investment earnings	-	694,310
Contributions subsequent to the measurement date	-	2,169,493
Total	\$ -	\$ 2,899,239

Deferred outflows of resources related to the Plan resulting from contributions subsequent to the measurement date of \$2,169,494 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2015 (i.e. recognized in the County's financial statements September 30, 2016). Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2015	\$ 185,390
2016	185,390
2017	185,390
2018	173,576
2019	-
Thereafter	-
Total	\$ 729,746

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

**NOTE 11. RETIREMENT COMMITMENTS – CONTINUED**

**POST-EMPLOYMENT HEALTHCARE BENEFITS**

**Plan Description**

Pecos County provides post-employment healthcare benefits to its retired employees with 12 or more years of service. The plan provides medical insurance to plan members and their spouses. Membership in the plan at December 31, 2015, data used for the latest actuarial valuation, consists of the following:

**Funding Policy**

Local Government Code Section 157.1010 assigns the authority to establish and amend benefit provisions to the commissioners' court. The County is under no legal obligation to pay these premiums, and the decision to provide these benefits is made by the commissioners' court on a year-to-year basis.

At December 31, 2015, retirees do not pay a premium at any time, but do pay \$50 per month for their spouse's premium.

The rates are set annually by the Commissioners' Court based on the combination of premiums and prior year costs of the self-funded portion of the plan. The plan is funded on a pay-as-you-go basis. For the year ended, December 31, 2015, the County contributed approximately \$1,578,132. Administrative costs are provided through the annual rate calculation.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, creating accounting standards for other postemployment benefits (OPEB) provided by governmental entities separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable required supplemental information (RSI) in the financial reports of state and local governments. The County implemented the requirements of GASB Statement No. 45 during the fiscal year ended December 31, 2011, and continued those requirements for the fiscal years thereafter.

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

**NOTE 11. RETIREMENT COMMITMENTS – CONTINUED**

**POST-EMPLOYMENT HEALTHCARE BENEFITS – CONTINUED**

**Annual OPEB Cost**

The County's OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities or funding excess over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount expected to be contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 7,637,011
Interest on net OPEB obligation	1,294,272
Annual OPEB cost (expense)	<u>8,931,283</u>
Contributions made*	<u>(1,197,052)</u>
 Increase in net OPEB	 7,734,231
 Net OPEB obligation, beginning of year	 <u>32,356,803</u>
Net OPEB obligation, end of year	<u><u>\$ 40,091,034</u></u>

For 2015, the County's annual OPEB cost (expense) of \$8,931,283 for the post-employment healthcare plan was equal to the annual required contributions (ARC) of each. The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions*	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	\$ 6,366,386	\$ 864,110	13.6%	\$ 18,974,065
12/31/2013	\$ 6,586,477	\$ 870,623	13.2%	\$ 24,689,919
12/31/2014	\$ 8,624,608	\$ 957,724	11.1%	\$ 32,356,803
12/31/2015	\$ 8,931,283	\$ 1,197,052	13.4%	\$ 40,091,034

*\*For illustration purposes, we have shown Pecos County contributions to be equal to expected benefit payments during each fiscal year. GASB 45 defines contributions for this purpose to be actual benefits payments during the year and contributions made to a separate, irrevocable trust.*

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

**NOTE 11. RETIREMENT COMMITMENTS – CONTINUED**

**POST-EMPLOYMENT HEALTHCARE BENEFITS – CONTINUED**

**Funded Status**

The funded status of the plan as of December 31, 2015, was as follows:

Schedule of Funding

Actuarial Accrued Liability ( AAL)	N/A
Actuarial Value of Plan Assets	N/A
Unfunded Actuarial Accrued Liability (UAAL)	N/A
Funded Ratio (Actuarial Value of Plan Assets/AAL)	N/A
Covered Payroll (Active Plan Members)	N/A
Unfunded Actuarial Accrued Liability (UAAL) as Percentage of Covered Payroll	N/A

*Note: The Actuarial Valuation of Postretirement Benefits Under GASB 45 report is prepared biannually by Milliman, Inc. Therefore, Information is not available for 2015*

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are made on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefits costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In order to perform the valuation, it was necessary for the County and the actuary to make certain assumptions regarding such items as rates of employee turnover, retirement, and mortality, as well as economic assumptions regarding healthcare trend and interest rates.

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

**NOTE 11. RETIREMENT PLAN – CONTINUED**

**POST-EMPLOYMENT HEALTHCARE BENEFITS – CONTINUED**

**Actuarial Methods and Assumptions – Continued**

**Discount Rate**

*Pay-as-you-go:*  
4.0% Effective annual rate

**Health Cost Trend**

*County:*

*Without Medicare:*  
5.4% in the first year, 5.4% in the second year, 4.8% in the third year, and ultimately grade down to 4.5% per year after the seventy-first year.

*With Medicare:*  
4.8% in the first year, 5.3% in the second year, 4.7% in the third year, and ultimately grade down to 4.5% per year after the seventy-first year.

*Hospital:*

*Without Medicare:*  
5.4% in the first year, 5.4% in the second year, 4.8% in the third year, and ultimately grade down to 4.5% per year after the seventy-first year.

*With Medicare:*  
4.8% in the first year, 5.3% in the second year, 4.7% in the third year, and ultimately grade down to 4.5% per year after the seventy-first year.

The unfunded actuarial accrued liability is being amortized as a level dollar, on a closed basis. The amortization period is 30 years.



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

**NOTE 14. ADDITIONAL ENTERPRISE FUND DISCLOSURES – CONTINUED**

Net patient revenue – the Hospital had an agreement with third-party payers that provided for payments to the Hospital at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The major third-party payors are Medicare, Medicaid, and other commercial insurance carriers and preferred provider organizations.

**NOTE 15. NEW PRONOUNCEMENTS**

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) which addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes. GASB 72 also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This statement is effective for financial statements for reporting periods beginning after June 15, 2015.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* – The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

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

Statement No. 77, *Tax Abatement Disclosures* – This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. This statement will become effective for the County in fiscal year 2017.

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

**NOTE 15. NEW PRONOUNCEMENTS – CONTINUED**

Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans – the objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 79, Certain External Investment Pools and Pool Participants – This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14 – the objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

The County's management is reviewing the implementation process of this these standards by gathering required information.

**REQUIRED SUPPLEMENTAL INFORMATION**

**PECOS COUNTY, TEXAS  
SCHEDULE OF FUNDING PROGRESS  
DECEMBER 31, 2015**

Retiree Health Insurance Plan						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Annual Covered Payroll	Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
12/31/2012	-	\$ 29,826,753	\$ 29,826,753	0.00%	NA	NA
12/31/2013	-	\$ 38,301,102	\$ 38,301,102	0.00%	NA	NA
12/31/2014	-	\$ 50,588,953	\$ 50,588,953	0.00%	NA	NA
12/31/2015	NA	NA	NA	NA	NA	NA

*Note: The Actuarial Valuation of Postretirement Benefits Under GASB 45 report is prepared biannually by Milliman, Inc. Therefore, Information is not available for 2015*

**PECOS COUNTY, TEXAS  
TEXAS COUNTY DISTRICT RETIREMENT SYSTEM  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND  
RELATED RATIOS FOR THE EMPLOYEES OF PECOS COUNTY  
DECEMBER 31, 2015**

	<b>2014</b>
<b>Total Pension Liability</b>	
Service cost	\$ 2,780,990
Interest (on the total pension liability)	5,343,058
Effect of economic/demographic (gains) or losses	47,248
Benefit payments/refunds of contributions	(3,191,714)
	4,979,582
<b>Net Change in Total Pension Liability</b>	4,979,582
<b>Total Pension Liability - Beginning</b>	66,165,041
<b>Total Pension Liability - Ending (a)</b>	\$ 71,144,623
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 2,159,972
Contributions - Employee	1,574,247
Investment income net of investment expenses	4,215,709
Benefit payments/refunds of contributions	(3,191,714)
Administrative expense	(49,507)
Other	(14,286)
	4,694,421
<b>Net Change in Plan Fiduciary Net Position</b>	4,694,421
<b>Plan Fiduciary Net Position - Beginning</b>	61,914,552
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 66,608,973
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 4,535,650
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	93.62%
<b>Covered Employee Payroll</b>	\$ 22,466,129
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	20.19%

**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 one year 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."

**PECOS COUNTY, TEXAS  
TEXAS COUNTY DISTRICT RETIREMENT SYSTEM  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
DECEMBER 31, 2015**

	Year Ended December 31,		
	2012	2013	2014
Actuarially determined contribution	\$ 1,653,176	\$ 1,987,873	\$ 2,156,748
Contributions in relation to the actuarially determined contribution	1,653,176	1,987,873	2,159,972
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,224)</u>
Covered-employee payroll	\$ 18,595,904	\$ 20,881,018	\$ 22,466,129
Contributions as a percentage of covered-employee payroll	8.89%	9.52%	9.61%

**Notes to Schedule:**

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion
Investment rate of return	8.10%
Retirement age	Experience-based table of rates that are specific to the County's plan of benefits.
Mortality	Based on the RP-2000 Active Employee Mortality Table for depositing members; RP-2000 Combined Mortality Table for the service retirees, beneficiaries and non-depositing members; and RP-2000 Disabled Mortality Table for disabled retirees.

Only three 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."

**PECOS COUNTY, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 19,641,931	\$ 19,641,931	\$ 19,600,427	\$ (41,504)
Fines and forfeitures	2,600	2,600	20,486	17,886
Intergovernmental	320,250	370,066	474,124	104,058
Charges for services	2,294,700	2,294,700	2,721,885	427,185
Payment in lieu of taxes	1,429,263	1,429,263	1,359,601	(69,662)
Royalties	180,000	180,000	108,263	(71,737)
Proceeds from settlement	-	-	679,318	679,318
Interest	85,300	85,300	115,796	30,496
Other	310,700	310,700	110,268	(200,432)
<b>Total revenues</b>	<b>24,264,744</b>	<b>24,314,560</b>	<b>25,190,168</b>	<b>875,608</b>
<b>EXPENDITURES</b>				
Current				
General government				
Office of the County Judge	195,461	195,261	187,561	7,700
Office of the County Clerk	399,570	402,470	354,322	48,148
Veterans' Administration	55,296	55,297	54,818	479
Commissioners' Court	544,100	544,100	422,505	121,595
Nondepartmental	5,591,489	4,319,618	3,684,834	634,784
<b>Total general government</b>	<b>6,785,916</b>	<b>5,516,746</b>	<b>4,704,040</b>	<b>812,706</b>
Judicial				
Office of the District Clerk	272,431	276,930	273,882	3,048
County Court at Law	32,400	114,056	112,345	1,711
83rd District Court	183,848	183,847	134,223	49,624
112th District Court	267,116	267,116	187,338	79,778
Office of the 83rd District Attorney	391,694	391,694	363,834	27,860
Office of the 112th District Attorney	284,124	284,124	206,003	78,121
Justice of the Peace #1	246,288	246,288	239,959	6,329
Justice of the Peace #3	106,074	106,074	104,655	1,419
Justice of the Peace #4	39,034	42,914	41,465	1,449
Justice of the Peace #6	105,837	105,837	104,702	1,135
Office of the County Attorney	306,522	324,810	324,610	200
County Law Library	23,067	23,067	11,773	11,294
<b>Total judicial</b>	<b>2,258,435</b>	<b>2,366,757</b>	<b>2,104,789</b>	<b>261,968</b>
Financial Administration				
Office of the County Auditor	390,088	395,588	389,302	6,286
Office of the County Treasurer	134,524	134,524	133,044	1,480
Office of the Tax Assessor Collector	426,367	432,661	430,825	1,836
Data processing	591,500	591,500	518,065	73,435
<b>Total financial administration</b>	<b>1,542,479</b>	<b>1,554,273</b>	<b>1,471,236</b>	<b>83,037</b>

**PECOS COUNTY, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Law enforcement				
Constable Precinct #1	\$ 25,714	\$ 25,714	\$ 25,228	\$ 486
Constable Precinct #3	27,643	27,643	27,053	590
Constable Precinct #4	26,131	26,131	25,669	462
Constable Precinct #6	25,505	25,505	25,044	461
Public Safety Department	3,500	3,500	2,432	1,068
Office of the Sheriff	1,648,361	1,835,000	1,712,688	122,312
<b>Total law enforcement</b>	1,756,854	1,943,493	1,818,114	125,379
Corrections				
Correctional facility	694,074	700,878	700,818	60
Adult probation	41,597	41,597	40,075	1,522
Juvenile probation	336,395	336,394	275,427	60,967
<b>Total corrections</b>	1,072,066	1,078,869	1,016,320	62,549
Health and welfare				
Sanitation department	52,100	72,050	70,615	1,435
EMS	2,256,718	2,374,524	2,282,487	92,037
Social services	99,000	99,000	67,499	31,501
Emergency Management/Homeland Security	87,799	169,365	145,844	23,521
<b>Total health and welfare</b>	2,495,617	2,714,939	2,566,445	148,494
Fire protection	398,950	578,752	559,738	19,014
Culture and recreation				
Recreation	135,075	135,075	126,835	8,240
Fort Stockton Golf Course	520,240	616,243	614,487	1,756
Iraan Golf Course	231,874	356,469	333,386	23,083
Park #1	258,561	318,475	280,422	38,053
Park #2	541,193	545,602	474,001	71,601
Park #3	333,040	463,576	394,071	69,505
Park #4	262,875	328,904	327,228	1,676
Historical Commission	22,259	36,995	36,211	784
<b>Total culture and recreation</b>	2,305,117	2,801,339	2,586,641	214,698

**PECOS COUNTY, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Libraries				
Fort Stockton library	\$ 340,189	\$ 340,189	\$ 307,155	\$ 33,034
Imperial library	63,334	63,334	47,241	16,093
Iraan library	99,275	99,656	99,656	-
<b>Total libraries</b>	502,798	503,179	454,052	49,127
Building maintenance	437,426	496,362	462,512	33,850
Utilities	747,000	747,000	628,170	118,830
Conservation	170,420	186,890	178,572	8,318
Public service				
Elections	61,512	62,835	48,241	14,594
Pecos County Water	180,757	204,271	217,356	(13,085)
Miscellaneous	201,768	201,768	177,336	24,432
<b>Total public service</b>	444,037	468,874	442,933	25,941
Airport	332,200	332,200	88,504	243,696
Capital outlay	90,000	-	-	-
Debt service	143,695	143,695	143,694	1
<b>Total expenditures</b>	21,483,010	21,433,368	19,225,760	2,207,608
Excess (deficiency) of revenues over expenditures	2,781,734	2,881,192	5,964,408	3,083,216
Other financing sources (uses)				
Sale of assets	(8,000)	(8,000)	14,052	22,052
Proceeds from capital lease	-	(8,000)	-	8,000
Transfers from other funds	-	(8,000)	-	8,000
Gain from insurance recovery	-	(8,000)	-	8,000
Transfers to other funds	(3,930,000)	(4,233,000)	(4,233,000)	-
<b>Total other financing sources (uses)</b>	(3,938,000)	(4,265,000)	(4,218,948)	46,052
Net change in fund balances	(1,156,266)	(777,808)	1,745,460	2,523,268
<b>FUND BALANCES, beginning of year</b>	20,029,101	20,029,101	20,029,101	-
<b>FUND BALANCES, end of year</b>	<u>\$ 18,872,835</u>	<u>\$ 19,251,293</u>	<u>\$ 21,774,561</u>	<u>\$ 2,523,268</u>

**PECOS COUNTY, TEXAS  
ROAD AND BRIDGE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 3,264,680	\$ 3,264,680	\$ 3,236,483	\$ (28,197)
Intergovernmental	41,000	41,000	117,769	76,769
Fees of office	965,000	965,000	660,992	(304,008)
Miscellaneous	450,000	450,000	478,091	28,091
<b>Total revenues</b>	<b>4,720,680</b>	<b>4,720,680</b>	<b>4,493,335</b>	<b>(227,345)</b>
<b>EXPENDITURES</b>				
Highways and streets				
Precinct #1				
Salaries and benefits	442,646	438,808	438,808	-
Supplies	13,500	8,474	8,301	173
Fuel	70,000	105,161	105,161	-
Uniforms	1,500	1,017	1,017	-
Communications	3,500	2,398	2,309	89
Travel	2,000	1,349	1,349	-
Registration fees	600	415	415	-
Repairs and maintenance	34,800	62,087	55,746	6,341
Lease expenditures	3,000	2,214	2,214	-
Dues and subscriptions	150	141	-	141
Road improvements	20,000	14,827	4,605	10,222
<b>Total Precinct #1</b>	<b>591,696</b>	<b>636,891</b>	<b>619,925</b>	<b>16,966</b>
Precinct #2				
Salaries and benefits	401,279	404,722	394,687	10,035
Supplies	13,500	14,952	14,531	421
Fuel	55,000	35,273	35,273	-
Uniforms	1,000	996	996	-
Communications	3,000	3,215	3,215	-
Travel	4,100	2,646	2,646	-
Registration fees	1,100	500	500	-
Repairs and maintenance	19,500	37,119	34,059	3,060
Lease expenditures	125	114	114	-
Dues and subscriptions	-	90	90	-
Contract services	1,500	278	278	-
Equipment	-	1,360	1,360	-
Road improvements	21,000	21,052	17,033	4,019
<b>Total Precinct #2</b>	<b>521,104</b>	<b>522,317</b>	<b>504,782</b>	<b>17,535</b>

**PECOS COUNTY, TEXAS  
ROAD AND BRIDGE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Precinct #3				
Salaries and benefits	\$ 434,548	\$ 433,148	\$ 406,547	\$ 26,601
Supplies	19,600	18,752	17,198	1,554
Fuel	65,000	62,850	49,797	13,053
Uniforms	830	719	603	116
Communications	7,000	10,000	9,097	903
Travel	2,000	3,000	2,260	740
Registration fees	400	800	670	130
Repairs and maintenance	50,600	60,500	56,352	4,148
Lease expenditures	1,000	959	817	142
Dues and subscriptions	200	552	352	200
Contract services	4,500	2,060	2,060	-
Equipment	-	2,100	2,048	52
Road improvements	20,000	9,940	(7,071)	17,011
<b>Total Precinct #3</b>	<b>605,678</b>	<b>605,380</b>	<b>540,730</b>	<b>64,650</b>
Precinct #4				
Salaries and benefits	528,776	485,226	481,984	3,242
Supplies	20,000	20,796	20,714	82
Fuel	80,000	62,723	62,218	505
Uniforms	1,500	1,024	1,024	-
Communications	3,000	3,070	3,010	60
Travel	2,000	1,022	1,012	10
Registration fees	1,000	275	225	50
Repairs and maintenance	38,200	69,603	68,842	761
Lease expenditures	3,000	1,069	1,069	-
Contract services	3,000	17,230	17,176	54
Equipment	-	2,662	2,662	-
Road improvements	20,000	30,469	30,323	146
<b>Total Precinct #4</b>	<b>700,476</b>	<b>695,169</b>	<b>690,259</b>	<b>4,910</b>

**PECOS COUNTY, TEXAS  
ROAD AND BRIDGE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
General				
Employee insurance	\$ 355,200	\$ 355,200	\$ 335,420	\$ 19,780
Professional services	2,500	2,500	-	2,500
City paving	100,000	96,448	96,447	1
Lateral roads #1	10,250	10,250	10,250	-
Lateral roads #2	10,250	10,250	9,348	902
Lateral roads #3	10,250	10,250	10,250	-
Lateral roads #4	10,250	10,250	9,632	618
Road improvements	1,250,000	1,180,510	755,836	424,674
Software maintenance	1,000	1,000	950	50
Contract services	100,000	100,000	95,646	4,354
Contingency	100,000	6,775	-	6,775
<b>Total general</b>	<u>1,949,700</u>	<u>1,783,433</u>	<u>1,323,779</u>	<u>459,654</u>
<b>Total highways and streets</b>	4,368,654	4,243,190	3,679,475	563,715
Capital Outlay				
General	313,000	231,108	208,691	22,417
Precinct #2	-	36,716	31,616	5,100
Precinct #3	-	139,677	139,677	-
Precinct #4	-	37,264	37,264	-
<b>Total capital outlay</b>	<u>313,000</u>	<u>444,765</u>	<u>417,248</u>	<u>27,517</u>
<b>Total expenditures</b>	<u>4,681,654</u>	<u>4,687,955</u>	<u>4,096,723</u>	<u>591,232</u>
Excess (deficiency) of revenues over expenditures	<u>39,026</u>	<u>32,725</u>	<u>396,612</u>	<u>363,887</u>
Net change in fund balance	39,026	32,725	396,612	363,887
<b>FUND BALANCES, beginning of year</b>	<u>1,229,893</u>	<u>1,229,893</u>	<u>1,229,893</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 1,268,919</u>	<u>\$ 1,262,618</u>	<u>\$ 1,626,505</u>	<u>\$ 363,887</u>

**PECOS COUNTY, TEXAS**  
**NOTES TO SCHEDULES OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**BUDGET (GAAP BASIS) AND ACTUAL**

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 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 Pecos County Courthouse to obtain taxpayer comments.
- C. Prior to January 1, the budget is legally enacted through adoption of an order by the 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.
- E. Budgets for the various funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
- F. Expenditures in excess of appropriations are required by state statutes to be reported down to the departmental level.
- G. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended December 31, 2015.
- H. The Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP Basis) and Actual – General Fund and Road and Bridge Fund present a comparison of budgetary data to actual results.

## **SUPPLEMENTARY INFORMATION**

**PECOS COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<b>Special Revenue Funds</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,380,793	\$ 398,054	\$ 1,778,847
Receivables (net of allowances for uncollectibles)			
Other	400,389	-	400,389
<b>TOTAL ASSETS</b>	<b>\$ 1,781,182</b>	<b>\$ 398,054</b>	<b>\$ 2,179,236</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 348,430	\$ -	\$ 348,430
Due to other funds	94,446	-	94,446
<b>Total liabilities</b>	442,876	-	442,876
Fund balances			
Restricted			
Federal and state grants	310,266	-	310,266
Legislation	1,028,040	-	1,028,040
Assigned			
Capital projects funds	-	398,054	398,054
<b>Total fund balances</b>	1,338,306	398,054	1,736,360
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,781,182</b>	<b>\$ 398,054</b>	<b>\$ 2,179,236</b>

**PECOS COUNTY, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	<b>Special Revenue Funds</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Funds</b>
<b>REVENUES</b>			
Fines and forfeitures	\$ 103,869	\$ -	\$ 103,869
Intergovernmental	3,276,259	-	3,276,259
Charges for services	744,284	-	744,284
Interest	1,758	-	1,758
Other	14,637	-	14,637
<b>Total revenues</b>	<b>4,140,807</b>	<b>-</b>	<b>4,140,807</b>
<b>EXPENDITURES</b>			
Judicial	152,008	-	152,008
Corrections	1,582,871	-	1,582,871
Health and welfare	276,225	-	276,225
Public service	1,629,356	-	1,629,356
Capital outlay	474,712	-	474,712
<b>Total expenditures</b>	<b>4,115,172</b>	<b>-</b>	<b>4,115,172</b>
<b>DEFICIENCY OF REVENUE OVER EXPENDITURES</b>	<b>25,635</b>	<b>-</b>	<b>25,635</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	24,964	155,000	179,964
Transfers (out)	(24,964)	-	(24,964)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>155,000</b>	<b>155,000</b>
Net change in fund balances	25,635	155,000	180,635
<b>FUND BALANCES, beginning of year</b>	<b>1,312,671</b>	<b>243,054</b>	<b>1,555,725</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 1,338,306</b>	<b>\$ 398,054</b>	<b>\$ 1,736,360</b>

**PECOS COUNTY, TEXAS  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015**

	250	251	255	265	266	267	269
	Juvenile Probation Fees	Title IV-E Fund	Juvenile Probation TJPC A-C-N	Basic Supervision	Community Corrections Program	Intensive Supervision	Crime Victim Services
<b>ASSETS</b>							
Cash	\$ 19,953	\$ 45,367	\$ 51,387	\$ 123,766	\$ 31,791	\$ 92,924	\$ -
Receivables, net of allowance							
Other	148	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 20,101</u>	<u>\$ 45,367</u>	<u>\$ 51,387</u>	<u>\$ 123,766</u>	<u>\$ 31,791</u>	<u>\$ 92,924</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities							
Accounts payable	\$ -	\$ -	\$ 30,510	\$ 3,272	\$ -	\$ 1,187	\$ -
Due to other funds	-	-	-	-	-	-	-
<b>Total liabilities</b>	-	-	30,510	3,272	-	1,187	-
Fund balances							
Restricted							
Federal and state grants	-	45,367	20,877	120,494	31,791	91,737	-
Legislation	20,101	-	-	-	-	-	-
<b>Total fund balances</b>	20,101	45,367	20,877	120,494	31,791	91,737	-
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 20,101</u>	<u>\$ 45,367</u>	<u>\$ 51,387</u>	<u>\$ 123,766</u>	<u>\$ 31,791</u>	<u>\$ 92,924</u>	<u>\$ -</u>

270	280	281	283	284	285	286	287
Adult Probation Fees	County Records Management	County Clerk Records Management	Court Record Preservation Fund	District Court Record Technology Fund	JP Technology Fund	County Clerk Archival Fund	County Clerk Vital Statistics Fund
\$ 10,012	\$ 57,224	\$ 169,885	\$ 13,074	\$ 10,698	\$ 40,604	\$ 133,643	\$ 7,087
-	249	-	268	257	-	-	-
<u>\$ 10,012</u>	<u>\$ 57,473</u>	<u>\$ 169,885</u>	<u>\$ 13,342</u>	<u>\$ 10,955</u>	<u>\$ 40,604</u>	<u>\$ 133,643</u>	<u>\$ 7,087</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
10,012	57,473	169,885	13,342	10,955	40,604	133,643	7,087
10,012	57,473	169,885	13,342	10,955	40,604	133,643	7,087
<u>\$ 10,012</u>	<u>\$ 57,473</u>	<u>\$ 169,885</u>	<u>\$ 13,342</u>	<u>\$ 10,955</u>	<u>\$ 40,604</u>	<u>\$ 133,643</u>	<u>\$ 7,087</u>

**PECOS COUNTY, TEXAS  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015  
(CONTINUED)**

	370	429	430	431	433	434
	Courthouse Security Fund	Texas J Regional Advisory Council Fund	Texas J Regional Advisory Council Fund	Border Security III Fund	Border Prosecution Fund	CDBG Contract #712065 Fund
<b>ASSETS</b>						
Cash	\$ 163,559	\$ -	\$ -	\$ -	\$ -	\$ -
Receivables, net of allowance						
Other	115	-	-	22,345	31,259	-
<b>TOTAL ASSETS</b>	<b>\$ 163,674</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,345</b>	<b>\$ 31,259</b>	<b>\$ -</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	22,345	31,259	-
<b>Total liabilities</b>	-	-	-	22,345	31,259	-
Fund balances						
Restricted						
Federal and state grants	-	-	-	-	-	-
Legislation	163,674	-	-	-	-	-
<b>Total fund balances</b>	163,674	-	-	-	-	-
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 163,674</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 22,345</b>	<b>\$ 31,259</b>	<b>\$ -</b>

435	436	437	441	442	443	446
Local Border Security LBSP- 14 Fund	Federal Victims of Crime Act Fund	Transportation Infrastructure Grant	CDBG Contract #713361 Fund	Local Border Security LBSP - 13 Fund	High Intensity Drug Trafficking Area Fund	TDHCA Contract #1001407 Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	4,017	-	-	23,473	13,352	303,068
<u>\$ -</u>	<u>\$ 4,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,473</u>	<u>\$ 13,352</u>	<u>\$ 303,068</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 303,068
-	4,017	-	-	23,473	13,352	-
-	4,017	-	-	23,473	13,352	303,068
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 4,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,473</u>	<u>\$ 13,352</u>	<u>\$ 303,068</u>

**PECOS COUNTY, TEXAS  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015  
(CONTINUED)**

	449	500	505	510	511
	Border Security II Grant #2534301	County Attorney Hot Check Fund	County Attorney Pre-Trial Intervention Fund	Sheriff Discretionary Fund	Forfeiture Shared Revenue Fund
<b>ASSETS</b>					
Cash	\$ -	\$ 14,841	\$ 143,816	\$ 17,118	\$ 145,888
Receivables, net of allowance					
Other	-	-	1,542	296	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 14,841</b>	<b>\$ 145,358</b>	<b>\$ 17,414</b>	<b>\$ 145,888</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ -	\$ 4,898	\$ 1,791	\$ -	\$ -
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	-	4,898	1,791	-	-
Fund balances					
Restricted					
Federal and state grants	-	-	-	-	-
Legislation	-	9,943	143,567	17,414	145,888
<b>Total fund balances</b>	-	9,943	143,567	17,414	145,888
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 14,841</b>	<b>\$ 145,358</b>	<b>\$ 17,414</b>	<b>\$ 145,888</b>

<b>530</b> <b>83rd District</b> <b>Attorney</b> <b>Hot</b> <b>Check</b> <b>Funds</b>	<b>540</b> <b>83rd District</b> <b>Attorney</b> <b>Drug</b> <b>Forfeiture</b> <b>Fund</b>	<b>560</b> <b>112th District</b> <b>Attorney</b> <b>Discretionary</b> <b>Fund</b>	<b>561</b> <b>112th District</b> <b>Attorney</b> <b>Hot Check</b> <b>Fund</b>	<b>Total</b>
\$ 22,936	\$ 46,352	\$ 18,247	\$ 621	\$ 1,380,793
-	-	-	-	400,389
<u>\$ 22,936</u>	<u>\$ 46,352</u>	<u>\$ 18,247</u>	<u>\$ 621</u>	<u>\$ 1,781,182</u>
\$ -	\$ 3,704	\$ -	\$ -	\$ 348,430
-	-	-	-	94,446
-	3,704	-	-	442,876
-	-	-	-	310,266
<u>22,936</u>	<u>42,648</u>	<u>18,247</u>	<u>621</u>	<u>1,028,040</u>
<u>22,936</u>	<u>42,648</u>	<u>18,247</u>	<u>621</u>	<u>1,338,306</u>
<u>\$ 22,936</u>	<u>\$ 46,352</u>	<u>\$ 18,247</u>	<u>\$ 621</u>	<u>\$ 1,781,182</u>

**PECOS COUNTY, TEXAS  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2015**

	250	251	255	265	266	267	269
	Juvenile Probation Fees	Title IV-E Fund	Juvenile Probation TJPC A-C-N	Basic Supervision	Community Corrections Program	Intensive Supervision	Crime Victim Services
<b>REVENUES</b>							
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	123,599	237,660	83,122	390,492	13,628
Charges for services	3,705	-	-	479,467	-	-	-
Interest	-	212	-	1,130	-	-	-
Other	-	-	-	14,637	-	-	-
<b>Total revenues</b>	<b>3,705</b>	<b>212</b>	<b>123,599</b>	<b>732,894</b>	<b>83,122</b>	<b>390,492</b>	<b>13,628</b>
<b>EXPENDITURES</b>							
Judicial	-	-	-	-	-	-	-
Corrections	-	1,600	120,173	764,467	71,028	406,981	-
Health and welfare	-	-	-	-	-	-	-
Public service	-	-	-	-	-	-	13,628
Capital outlay	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>1,600</b>	<b>120,173</b>	<b>764,467</b>	<b>71,028</b>	<b>406,981</b>	<b>13,628</b>
Excess (deficiency) of revenues over (under) expenditures	3,705	(1,388)	3,426	(31,573)	12,094	(16,489)	-
Other financing sources (uses)							
Transfers in	-	-	-	-	-	24,964	-
Transfers (out)	-	-	-	(10,964)	(14,000)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,964)</b>	<b>(14,000)</b>	<b>24,964</b>	<b>-</b>
Net change in fund balances	3,705	(1,388)	3,426	(42,537)	(1,906)	8,475	-
<b>FUND BALANCES, beginning of year</b>	<b>16,396</b>	<b>46,755</b>	<b>17,451</b>	<b>163,031</b>	<b>33,697</b>	<b>83,262</b>	<b>-</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 20,101</b>	<b>\$ 45,367</b>	<b>\$ 20,877</b>	<b>\$ 120,494</b>	<b>\$ 31,791</b>	<b>\$ 91,737</b>	<b>\$ -</b>

270	280	281	283	284	285	286	287
Adult Probation Fees	County Records Management	County Clerk Records Management	Court Record Preservation Fund	District Court Record Technology Fund	JP Technology Fund	County Clerk Archival Fund	County Clerk Vital Statistics Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
1,569	3,298	56,723	2,839	3,123	12,558	55,164	1,467
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,569	3,298	56,723	2,839	3,123	12,558	55,164	1,467
-	-	-	-	-	-	-	-
-	3,211	-	-	-	2,910	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	3,211	-	-	-	2,910	-	-
1,569	87	56,723	2,839	3,123	9,648	55,164	1,467
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,569	87	56,723	2,839	3,123	9,648	55,164	1,467
8,443	57,386	113,162	10,503	7,832	30,956	78,479	5,620
<u>\$ 10,012</u>	<u>\$ 57,473</u>	<u>\$ 169,885</u>	<u>\$ 13,342</u>	<u>\$ 10,955</u>	<u>\$ 40,604</u>	<u>\$ 133,643</u>	<u>\$ 7,087</u>

**PECOS COUNTY, TEXAS  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

	370	429	430	431	433	434
	Courthouse Security Fund	Texas J Regional Advisory Council Grant	Texas J Regional Advisory Council Grant	Border Security III Fund	Border Prosecution Fund	CDBG Contract #712065 Fund
<b>REVENUES</b>						
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	10,884	-	60,078	120,815	16,345
Charges for services	19,825	-	-	-	-	-
Interest	-	-	-	-	-	-
Other	-	-	-	-	-	-
<b>Total revenues</b>	<b>19,825</b>	<b>10,884</b>	<b>-</b>	<b>60,078</b>	<b>120,815</b>	<b>16,345</b>
<b>EXPENDITURES</b>						
Judicial	-	-	-	-	-	-
Corrections	31,608	-	-	60,078	120,815	-
Health and welfare	-	9,329	8,081	-	-	16,345
Public service	-	-	-	-	-	-
Capital outlay	-	1,555	-	-	-	-
<b>Total expenditures</b>	<b>31,608</b>	<b>10,884</b>	<b>8,081</b>	<b>60,078</b>	<b>120,815</b>	<b>16,345</b>
Excess (deficiency) of revenues over (under) expenditures	(11,783)	-	(8,081)	-	-	-
Other financing sources (uses)						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	(11,783)	-	(8,081)	-	-	-
<b>FUND BALANCES, beginning of year</b>	<b>175,457</b>	<b>-</b>	<b>8,081</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 163,674</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

435	436	437	441	442	443	446
Local Border Security LBSP- 14 Fund	Federal Victims of Crime Act Fund	Transportation Infrastructure Grant	CDBG Contract #713361 Fund	Local Border Security LBSP - 13 Fund	High Intensity Drug Trafficking Area Fund	TDHCA Contract #1001407 Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,457	19,333	1,400,180	242,470	23,473	79,897	408,318
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,457	19,333	1,400,180	242,470	23,473	79,897	408,318
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	242,470	-	-	-
2,457	19,333	988,516	-	23,473	79,897	408,318
-	-	411,664	-	-	-	-
2,457	19,333	1,400,180	242,470	23,473	79,897	408,318
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**PECOS COUNTY, TEXAS  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

	449	500	505	510	511
	Border Security II Grant #2534301	County Attorney Hot Check Fund	County Attorney Pre-Trial Intervention Fund	Sheriff's Discretionary Fund	Forfeiture Shared Revenue Fund
<b>REVENUES</b>					
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ 92,246
Intergovernmental	39,337	-	-	4,171	-
Charges for services	-	2,795	101,700	-	-
Interest	-	-	-	-	-
Other	-	-	-	-	-
<b>Total revenues</b>	<b>39,337</b>	<b>2,795</b>	<b>101,700</b>	<b>4,171</b>	<b>92,246</b>
<b>EXPENDITURES</b>					
Judicial	-	792	128,167	-	-
Corrections	-	-	-	-	-
Health and welfare	-	-	-	-	-
Public service	39,337	-	-	-	54,397
Capital outlay	-	-	-	-	61,493
<b>Total expenditures</b>	<b>39,337</b>	<b>792</b>	<b>128,167</b>	<b>-</b>	<b>115,890</b>
Excess (deficiency) of revenues over (under) expenditures	-	2,003	(26,467)	4,171	(23,644)
Other financing sources (uses)					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net change in fund balances	-	2,003	(26,467)	4,171	(23,644)
<b>FUND BALANCES, beginning of year</b>	<b>-</b>	<b>7,940</b>	<b>170,034</b>	<b>13,243</b>	<b>169,532</b>
<b>FUND BALANCES, end of year</b>	<b>\$ -</b>	<b>\$ 9,943</b>	<b>\$ 143,567</b>	<b>\$ 17,414</b>	<b>\$ 145,888</b>

530 83rd District Attorney Hot Check Funds	540 83rd District Attorney Drug Forfeiture Funds	560 112th District Attorney Discretionary Fund	561 112th District Attorney Hot Check Fund	Total
\$ -	\$ 8,920	\$ 2,703	\$ -	\$ 103,869
-	-	-	-	3,276,259
-	-	-	51	744,284
145	190	81	-	1,758
-	-	-	-	14,637
145	9,110	2,784	51	4,140,807
22,629	-	420	-	152,008
-	-	-	-	1,582,871
-	-	-	-	276,225
-	-	-	-	1,629,356
-	-	-	-	474,712
22,629	-	420	-	4,115,172
(22,484)	9,110	2,364	51	25,635
-	-	-	-	24,964
-	-	-	-	(24,964)
-	-	-	-	-
(22,484)	9,110	2,364	51	25,635
45,420	33,538	15,883	570	1,312,671
\$ 22,936	\$ 42,648	\$ 18,247	\$ 621	\$ 1,338,306

**PECOS COUNTY, TEXAS  
AGENCY FUNDS  
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
DECEMBER 31, 2015**

	<u>Pecos County Golf Course</u>	<u>Bond Fund</u>	<u>Permian Basin Adult Probation</u>	<u>Juvenile Probation</u>	<u>District Clerk Fee Account</u>	<u>District Clerk Trust Fund</u>
<b>ASSETS</b>						
Cash	\$ 9,298	\$ 66,983	\$ 108,417	\$ 343	\$ 13,714	\$ 753,977
<b>TOTAL ASSETS</b>	<u>\$ 9,298</u>	<u>\$ 66,983</u>	<u>\$ 108,417</u>	<u>\$ 343</u>	<u>\$ 13,714</u>	<u>\$ 753,977</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 5,987	\$ -	\$ 1,223	\$ 950
Due to other governments	9,298	-	54,089	-	12,491	-
Due to beneficiaries	-	66,983	48,341	343	-	753,027
<b>TOTAL LIABILITIES</b>	<u>\$ 9,298</u>	<u>\$ 66,983</u>	<u>\$ 108,417</u>	<u>\$ 343</u>	<u>\$ 13,714</u>	<u>\$ 753,977</u>

<u>Tax Assessor Collector</u>	<u>Edward Petsch Arts Fund</u>	<u>Sheriff's Bond Account</u>	<u>Jail Commissary Account</u>	<u>Trish King Bond Account</u>	<u>County Clerk</u>	<u>Total</u>
\$ 1,231,727	\$ 253,458	\$ 61,657	\$ 7,439	\$ 51,033	\$ 2,797	\$ 2,560,843
<u>\$ 1,231,727</u>	<u>\$ 253,458</u>	<u>\$ 61,657</u>	<u>\$ 7,439</u>	<u>\$ 51,033</u>	<u>\$ 2,797</u>	<u>\$ 2,560,843</u>
\$ -	\$ -	\$ -	\$ 7,439	\$ -	\$ 2,797	\$ 18,396
1,231,727	-	-	-	-	-	1,307,605
-	253,458	61,657	-	51,033	-	1,234,842
<u>\$ 1,231,727</u>	<u>\$ 253,458</u>	<u>\$ 61,657</u>	<u>\$ 7,439</u>	<u>\$ 51,033</u>	<u>\$ 2,797</u>	<u>\$ 2,560,843</u>

## **INTERNAL CONTROL AND COMPLIANCE REPORTS**

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

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Pecos County, Texas (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated September 28, 2016, which included an emphasis of matter paragraph due to the implementation of Governmental Accounting Standards Board (GASB) No. 68., *Accounting and Financial Report for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our report includes reference to other auditors who audited the financial statements of Pecos County Memorial Hospital, an enterprise fund of the County, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance. The financial statements of Pecos County Memorial Hospital were not audited in accordance with Government Auditing Standards.

### **Internal Control over Financial Reporting**

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

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

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

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 that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, 2015-01.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Midland, Texas  
September 28, 2016



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH UNIFORM GUIDANCE AND THE STATE OF TEXAS SINGLE AUDIT  
CIRCULAR

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

**Report on Compliance for each Major Federal and State Program**

We have audited Pecos County, Texas' (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular *Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of Pecos County, Texas' major federal and state program for the year ended December 31, 2015. The County's major federal and state program are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Our report includes reference to other auditors who audited the financial statements of Pecos County Memorial Hospital, an enterprise fund of the County, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance. The financial statements of Pecos County Memorial Hospital were not audited in accordance with Government Auditing Standards.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and terms and conditions of its federal and state programs.

***Auditor's Responsibility***

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

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

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

***Basis for Qualified Opinion on CDBG Grant***

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding CFDA 14.228 CDBG Grant as described in finding number 2015-01 for reporting. Compliance with such requirements is necessary, in our opinion for the County to comply with the requirements applicable to that program.

***Qualified Opinion on CDBG Grant***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CDBG Grant for the year ended December 31, 2015.

***Unmodified Opinion on the Major State Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2015.

***Other Matters***

The County's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. County's response was not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

***Report on Internal Control over Compliance***

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

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

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.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal or 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 federal or 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 federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-01 to be a significant deficiency.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 Uniform Guidance and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Midland, Texas  
September 28, 2016

**PECOS COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Grant Contract Number	Grant Expenditures
<b>FEDERAL GRANT EXPENDITURES:</b>			
<b>Executive Office of the President</b>			
<b>Office of National Drug Control Policy</b>			
High Intensity Drug Trafficking Areas Program	95.001	G14SW0015A	\$ 31,206
High Intensity Drug Trafficking Areas Program	95.001	G15SW0015A	<u>48,691</u>
<b>Total Executive Office of the President Office of National Drug Control Policy</b>			79,897
<b>U.S Department of Homeland Security</b>			
Stonegarden	97.067		<u>62,810</u>
<b>Total U.S Department of Homeland Security</b>			62,810
<b>Department of Housing and Urban Development</b>			
<b>Pass-through Texas Department of Agriculture:</b>			
Community Development Block Grant (CDBG)	14.228	712065	16,345
Community Development Block Grant (CDBG)	14.228	713361	242,470
Community Development Block Grant (CDBG)	14.228	7214125	<u>389,179</u>
<b>Total Department of Housing and Urban Development</b>			647,994
<b>Federal Victims of Crime Act</b>			
Office of the Governor	16.575		<u>15,466</u>
<b>Total Federal Victims of Crime Act</b>			<u>15,466</u>
<b>Total Federal Grant Expenditures</b>			<u>\$ 806,167</u>

**PECOS COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
YEAR ENDED DECEMBER 31, 2015  
(CONTINUED)**

Federal Grantor/Pass-through Grantor Program Title	CFDA Number	Grant Contract Number	Grant Expenditures
<b>STATE GRANT EXPENDITURES:</b>			
<b>Texas Regional Advisory Council</b>			
TXJ Regional Advisory Council	N/A	FY 2013	\$ 10,884
TXJ Regional Advisory Council	N/A	FY 2014	<u>8,081</u>
<b>Total Texas Regional Advisory Council</b>			18,965
<b>Governor's Criminal Justice Division</b>			
Border Prosecution	N/A	2537904	62,056
Border Prosecution	N/A	2537905	<u>58,758</u>
<b>Total Governor's Criminal Justice Division</b>			120,814
<b>Texas Department of Transportation</b>			
Transportation Infrastructure Grant (TIF)	N/A	CTIF-01-186	<u>1,120,144</u>
<b>Total Texas Department of Transportation</b>			<u>1,120,144</u>
<b>Texas Border Sheriff Coalition and Regional Council of Government</b>			
Local Border Security Program Star II		LBSP/14	2,457
Local Border Security Program Star II		LBSP/15	<u>60,078</u>
<b>Total Texas Border Sheriff Coalition and Regional Council of Government</b>			62,535
<b>Total State Grant Expenditures</b>			<u>1,322,458</u>
<b>Total Federal and State Grant Expenditures</b>			<u><u>\$ 2,128,625</u></u>

**PECOS COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED DECEMBER 31, 2015**

**NOTE 1. GENERAL**

The accompanying schedule of expenditures of federal and state awards presents the activity of all federal financial assistance programs of Pecos County. Pecos County's reporting entity is defined in Note 1 of the County's financial statements. Federal and state financial assistance received directly from federal agencies or state as well as assistance passed through other agencies is included in the schedule.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal and state awards is presented using the modified accrual basis of accounting. The schedule is net of any local matches which is required for some grants. The schedule is net of any special revenue funds other than federal and state grants.

**PECOS COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015**

**I. SUMMARY OF AUDITOR'S RESULTS**

Type of auditor's report issued : Unmodified

Internal Control Over Financial Reporting:  
Material weakness(es) identified?      Yes   X   No

Significant deficiencies(s) identified that are  
not considered to be material weaknesses?   X   Yes      No

Noncompliance material to  
financial statements noted?      Yes   X   No

Federal/State Awards

Internal Control over Major Programs:  
Material weakness(es) identified?      Yes   X   No

Significant deficiencies(s) identified that are  
not considered to be material weaknesses?   X   Yes      None Reported

Type of auditor's report issued on compliance for  
major programs: Qualified

Any audit findings disclosed that are  
required to be reported in accordance  
with Uniform Guidance?   X   Yes      No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal and State Program or Cluster</u>
14.228	<b>U.S. Department of Housing and Urban Development</b> Community Development Block Grants
N/A	<b>Texas Department of Transportation</b> Transportation Infrastructure Fund Grant

Dollar threshold used to distinguish  
between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?      Yes   X   No

**PECOS COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015**

**SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS.**

***A. Significant Deficiency in Internal Control over Financial Reporting***

**Governmental Funds**

**2015-01**

**Criteria:**

Grant related revenues and expenditures, as well as any resulting assets or liabilities, should be recorded in the period incurred.

**Condition:**

Grant expenditures incurred during the year were not properly accrued in the period incurred.

**Cause:**

The county recorded the grant transactions using the cash basis instead of using the accrual basis of accounting.

**Effect:**

At the fund level, the County's assets, liabilities, revenues and expenditures were understated. At the government wide level, the County's net capital assets and net investment in capital assets were understated

**Recommendation:**

The County should ensure proper recording of grant transactions using the accrual basis.

**Views of Responsible Officials and Planned Corrective Actions:**

The County Auditor will use accrual basis for grants funds and recognize transactions when incurred.

**SECTION III – FINDINGS AND QUESTIONS COSTS FOR FEDERAL AWARDS**

See above finding 2015-01.

**PECOS COUNTY, TEXAS  
SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED DECEMBER 31, 2015**

**SECTION II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS.**

***A. Significant Deficiency in Internal Control over Financial Reporting***

**Governmental Funds**

**2014-01**

**Condition:**

The general fund and debt service fund balances did not agree to the prior year ending audited balances.

**Views of Responsible Officials and Planned Corrective Actions:**

The County Auditor will post all audit adjusting entries each year to ensure that beginning fund balances agree to prior year ending audited balances.

**Status:**

There were no instances noted during the current year.

**SECTION III – FINDINGS AND QUESTIONS COSTS FOR FEDERAL AWARDS**

None in 2014.