

# Pecos County, Texas

Annual Financial Report

For the Fiscal Year Ended December 31, 2016



**Pecos County, Texas**  
 Annual Financial Report  
 For the Fiscal Year Ended December 31, 2016  
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# Financial Section

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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, 2016, 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.

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

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

### ***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, 2016, 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.

### ***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 7 through 13 and 66 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The combining nonmajor governmental fund financial statements, combining special revenue fund financial statements and the combining fiduciary agency fund statement of assets and liabilities 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 and the combining fiduciary agency fund statement of assets and liabilities 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.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2017, 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  
August 14, 2017

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## 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, 2016. We encourage readers to consider the information presented here in conjunction with the County's financial statements, which begin on page 17.

### Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$15,706,043 (*net position*). A deficit of \$31,015,700 is report for unrestricted net position.
- As of the close of the current year, the County's governmental funds reported combined ending fund balances of \$27,311,706 an increase of \$1,420,824 in comparison with the prior year. Approximately 52.7% of this total amount, \$14,390,481, 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 \$14,390,481 or 83% percent of total general fund expenditures.
- The County's total bond debt decreased to \$1,275,000 (49%) 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).

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 17 through 19 of this report.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 20 through 26 of this report.

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 69 through 75.

**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 27 through 30 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 31 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 34 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 78 through 93.

### 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 \$15,706,043 at the close of the most recent fiscal year. The County's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is outstanding is 229% more than the County's total net position.

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	
	2015	2016	2015	2016	2015	2016
Current and other assets	\$ 52,438,143	\$ 50,255,058	\$ 6,068,373	\$ 3,406,682	\$ 58,506,516	\$ 53,661,740
Capital assets	24,203,333	22,534,120	17,396,792	15,079,505	41,600,125	37,613,625
Total assets	76,641,476	72,789,178	23,465,165	18,486,187	100,106,641	91,275,365
Total deferred outflows of resources	1,304,658	3,762,011	1,594,581	3,959,999	2,899,239	7,722,010
Long-term liabilities outstanding	24,968,245	27,588,299	16,607,975	19,899,867	41,576,220	47,488,166
Other liabilities	6,713,678	8,873,048	7,900,040	8,929,408	14,613,718	17,802,456
Total liabilities	31,681,923	36,461,347	24,508,015	28,829,275	56,189,938	65,290,622
Total deferred inflows of resources	20,319,389	17,517,028	-	483,682	20,319,389	18,000,710
Net position:						
Net investment in capital assets	22,884,202	21,867,053	15,594,429	14,124,932	38,478,631	35,991,985
Restricted	10,973,190	10,729,758	-	-	10,973,190	10,729,758
Unrestricted	(7,912,570)	(10,023,997)	(15,042,698)	(20,991,703)	(22,955,268)	(31,015,700)
<b>Total net position</b>	<b>\$ 25,944,822</b>	<b>\$ 22,572,814</b>	<b>\$ 551,731</b>	<b>\$ (6,866,771)</b>	<b>\$ 26,496,553</b>	<b>\$ 15,706,043</b>

A significant portion of the County's net position, \$10,729,758, 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 \$31,015,700.

## Governmental and Business-Type Activities

Governmental activities and business-type activities decreased the County's net position by \$3,372,008 and \$7,418,502, respectively. Key elements of this decrease are as follows:

### Pecos County, Texas Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2016	2015	2016	2015	2016
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 4,309,004	\$ 4,468,755	\$ 25,568,361	\$ 22,583,566	\$ 29,877,365	\$ 27,052,321
Operating grants and contributions	3,867,096	1,900,334	900,676	864,150	4,767,772	2,764,484
Capital grants and contributions	-	-	89,217	26,925	89,217	26,925
General revenues:						
Property taxes	24,132,279	19,865,603	-	-	24,132,279	19,865,603
Alcoholic beverage taxes	129,238	30,354	-	-	129,238	30,354
Investment earnings	121,315	195,852	10,983	20,536	132,298	216,388
Payment in lieu of taxes	1,359,601	1,325,827	-	-	1,359,601	1,325,827
Proceeds from settlement	679,318	1,136,784	-	-	679,318	1,136,784
Other	492,143	101,848	-	-	492,143	101,848
<b>Total revenues</b>	<b>35,089,994</b>	<b>29,025,357</b>	<b>26,569,237</b>	<b>23,495,177</b>	<b>61,659,231</b>	<b>52,520,534</b>
<b>Expenses</b>						
General government	4,445,696	4,887,164	-	-	4,445,696	4,887,164
Judicial	3,019,214	2,842,778	-	-	3,019,214	2,842,778
Financial administration	1,716,628	1,469,433	-	-	1,716,628	1,469,433
Public facilities	1,284,063	1,073,799	-	-	1,284,063	1,073,799
Public safety	6,829,331	6,480,529	-	-	6,829,331	6,480,529
Public service	2,132,391	846,327	-	-	2,132,391	846,327
Health and welfare	2,908,749	2,565,611	-	-	2,908,749	2,565,611
Culture and recreation	3,955,948	3,564,309	-	-	3,955,948	3,564,309
Highways and streets	5,036,423	4,898,453	-	-	5,036,423	4,898,453
Conservation	235,346	222,432	-	-	235,346	222,432
Airport	120,204	91,218	-	-	120,204	91,218
Interest on long-term debt	13,717	-	-	-	13,717	-
Pecos County Memorial Hospital	-	-	34,736,744	34,368,991	34,736,744	34,368,991
<b>Total expenses</b>	<b>31,697,710</b>	<b>28,942,053</b>	<b>34,736,744</b>	<b>34,368,991</b>	<b>66,434,454</b>	<b>63,311,044</b>
<b>Change in net position:</b>						
Before transfers	3,392,284	83,304	(8,167,507)	(10,873,814)	(4,775,223)	(10,790,510)
Contributed capital	(1,476,395)	-	1,476,395	-	-	-
Transfers	(3,096,732)	(3,455,312)	3,096,732	3,455,312	-	-
<b>Change in net position</b>	<b>(1,180,843)</b>	<b>(3,372,008)</b>	<b>(3,594,380)</b>	<b>(7,418,502)</b>	<b>(4,775,223)</b>	<b>(10,790,510)</b>
Net position - beginning, as previously stated	28,066,398	25,944,822	5,295,895	551,731	33,362,293	26,496,553
Change in accounting principle	(940,733)	-	(1,149,784)	-	(2,090,517)	-
Net position, beginning, as restated	27,125,665	25,944,822	4,146,111	551,731	31,271,776	26,496,553
<b>Net position, ending</b>	<b>\$ 25,944,822</b>	<b>\$ 22,572,814</b>	<b>\$ 551,731</b>	<b>\$ (6,866,771)</b>	<b>\$ 26,496,553</b>	<b>\$ 15,706,043</b>

## 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 \$27,311,706, an increase of \$1,420,824 in comparison with the prior year. Approximately 52.7% 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 \$14,390,481, while total fund balance was \$23,928,204.

**Road and Bridge Fund.** This fund is used to account for funds restricted for use in improving County highways and lateral streets and roadways.

**Debt Service Fund.** The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. Financing is provided by property tax levies.

**Proprietary Funds:** Unrestricted fund deficit of the County's enterprise fund, Pecos Memorial Hospital at the end of the year was a deficit of \$18,966,954. The remainder of the fund balance is net investment in capital assets. The change in net position for the fund was a decrease of \$7,163,725. Unrestricted fund balance of the County's health self-insurance plan at the end of the year was \$129,789. The change in unrestricted net position for the fund was an increase of \$65,273.

## General Fund Budgetary Highlights

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

- Actual revenues for 2016 were \$2,095,929 more than final budgeted revenues.
- Actual expenditures for 2016 were \$1,628,250 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 \$2,153,643 after accounting for other financing sources as detailed on page 24 of this report.

## 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, 2016, amounts to \$37,613,625 (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	
	2015	2016	2015	2016	2015	2016
Land	\$ 1,300,915	\$ 1,345,948	\$ 85,649	\$ 85,649	\$ 1,386,564	\$ 1,431,597
Buildings	12,351,987	11,957,353	12,469,381	12,149,532	24,821,368	24,106,885
Improvements - other	3,339,630	3,102,214	142,168	121,458	3,481,798	3,223,672
Machinery and equipment	5,870,385	4,782,028	966,972	330,223	6,837,357	5,112,251
Construction in progress	908,261	968,761	1,083,202	-	1,991,463	968,761
Infrastructure	432,155	377,816	-	-	432,155	377,816
Leased assets	-	-	1,497,587	1,284,484	1,497,587	1,284,484
Capitalized interest	-	-	1,151,833	1,108,159	1,151,833	1,108,159
<b>Net capital assets</b>	<b>\$ 24,203,333</b>	<b>\$ 22,534,120</b>	<b>\$ 17,396,792</b>	<b>\$ 15,079,505</b>	<b>\$ 41,600,125</b>	<b>\$ 37,613,625</b>

Additional information on the County's capital assets can be found in Note 6 on pages 49 - 50 of this report.

**Long-term debt:** At the end of the current fiscal year, the County had total bonded debt outstanding of \$1,275,000. The County's debt is comprised as follows:

	Governmental Activities	
	2015	2016
General obligation	\$ 1,265,000	\$ 640,000
Unamortized bond premium	54,131	27,067
Compensated absences	1,228,501	1,146,354
Other post-employment benefits obligation	23,989,962	28,180,055
<b>Total governmental activities</b>	<b>\$ 26,537,594</b>	<b>\$ 29,993,476</b>

  

	Business-type Activities	
	2015	2016
General obligation bonds	\$ 1,250,000	\$ 635,000
Capital lease obligation	552,363	319,573
Compensated absences	1,428,494	1,241,603
Other post-employment benefits obligation	16,101,072	19,521,344
<b>Total business-type activities</b>	<b>\$ 19,331,929</b>	<b>\$ 21,717,520</b>

Additional information on Pecos County's long-term debt can be found in Note 8 on pages 51 through 52.

**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.

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# Basic Financial Statements

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**Pecos County, Texas**  
Statement of Net Position  
December 31, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,241,147	\$ 919,171	\$ 16,160,318
Investments	18,795,744	-	18,795,744
Receivables, net	14,038,628	4,049,741	18,088,369
Internal balances	2,179,539	(2,179,539)	-
Other assets	-	617,309	617,309
Capital assets, net	22,534,120	15,079,505	37,613,625
Total assets	72,789,178	18,486,187	91,275,365
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pension	3,762,011	3,959,999	7,722,010
Total deferred outflows of resources	3,762,011	3,959,999	7,722,010
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	1,840,976	2,498,967	4,339,943
Due to other governments	157,628	-	157,628
Estimated health claims payable	393,109	-	393,109
Net pension liability	4,076,158	4,612,788	8,688,946
Noncurrent liabilities:			
Due within one year	2,405,177	1,817,653	4,222,830
Due in more than one year	27,588,299	19,899,867	47,488,166
Total liabilities	36,461,347	28,829,275	65,290,622
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property tax	17,037,912	-	17,037,912
Unavailable revenue - other	14,400	-	14,400
Deferred inflows related to pension	464,716	483,682	948,398
Total deferred inflows of resources	17,517,028	483,682	18,000,710
<b>NET POSITION</b>			
Net investment in capital assets	21,867,053	14,124,932	35,991,985
Restricted for:			
Airport	7,346,256	-	7,346,256
Road and bridge	1,101,665	-	1,101,665
Debt service	748,499	-	748,499
Federal and state grants	334,620	-	334,620
Legislation	1,198,718	-	1,198,718
Unrestricted	(10,023,997)	(20,991,703)	(31,015,700)
<b>TOTAL NET POSITION</b>	<b>\$ 22,572,814</b>	<b>\$ (6,866,771)</b>	<b>\$ 15,706,043</b>

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

**Pecos County, Texas**  
Statement of Activities  
For the Fiscal Year Ended December 31, 2016

<u>Function/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>
<b>PRIMARY GOVERNMENT</b>		
Governmental activities:		
General government	\$ 4,887,164	\$ 645,026
Judicial	2,842,778	755,221
Financial administration	1,469,433	166,546
Public facilities	1,073,799	814,554
Public safety	6,480,529	253,603
Public service	846,327	4,138
Health and welfare	2,565,611	1,083,097
Culture and recreation	3,564,309	182,070
Highways and streets	4,898,453	554,492
Conservation	222,432	-
Airport	91,218	10,008
Total governmental activities	<u>28,942,053</u>	<u>4,468,755</u>
Business-type activities:		
Pecos County Memorial Hospital	34,368,991	22,583,566
Total business-type activities	<u>34,368,991</u>	<u>22,583,566</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><u>\$ 63,311,044</u></u>	<u><u>\$ 27,052,321</u></u>

The Notes to the 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
\$ 435,968	\$ -	\$ (3,806,170)	\$ -	\$ (3,806,170)
-	-	(2,087,557)	-	(2,087,557)
-	-	(1,302,887)	-	(1,302,887)
-	-	(259,245)	-	(259,245)
1,082,468	-	(5,144,458)	-	(5,144,458)
301,274	-	(540,915)	-	(540,915)
19,805	-	(1,462,709)	-	(1,462,709)
60,798	-	(3,321,441)	-	(3,321,441)
21	-	(4,343,940)	-	(4,343,940)
-	-	(222,432)	-	(222,432)
-	-	(81,210)	-	(81,210)
1,900,334	-	(22,572,964)	-	(22,572,964)
864,150	26,925	-	(10,894,350)	(10,894,350)
864,150	26,925	-	(10,894,350)	(10,894,350)
\$ 2,764,484	\$ 26,925	(22,572,964)	(10,894,350)	(33,467,314)
General revenues:				
Property taxes		19,865,603	-	19,865,603
Alcoholic beverage taxes		30,354	-	30,354
Unrestricted investment earnings		195,852	20,536	216,388
Payment in lieu of property taxes		1,325,827	-	1,325,827
Proceeds from settlement		1,136,784	-	1,136,784
Miscellaneous revenue		101,848	-	101,848
Transfers		(3,455,312)	3,455,312	-
Total general revenues and transfers		19,200,956	3,475,848	22,676,804
Change in net position		(3,372,008)	(7,418,502)	(10,790,510)
Net position - beginning of year		25,944,822	551,731	26,496,553
<b>NET POSITION - END OF YEAR</b>		<b>\$ 22,572,814</b>	<b>\$ (6,866,771)</b>	<b>\$ 15,706,043</b>

**Pecos County, Texas**  
 Balance Sheet – Governmental Funds  
 December 31, 2016

	<u>General</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,674,099
Investments	18,786,444
Receivables, net	
Property taxes	10,892,938
Other	1,663,743
Due from other funds	291,670
<b>TOTAL ASSETS</b>	<u>\$ 42,308,894</u>
<b>LIABILITIES</b>	
Accounts payable	1,383,226
Due to other funds	-
Due to other governments	157,628
Total liabilities	<u>1,540,854</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property tax	15,480,647
Unavailable revenue - fines and forfeitures	1,344,789
Unavailable revenue - other revenues	14,400
Total deferred inflows of resources	<u>16,839,836</u>
<b>FUND BALANCE</b>	
Restricted:	
Airport use	7,346,256
Road and bridge	-
Debt service	-
Federal and state grants	-
Legislation	-
Assigned:	
Repairs from insurance proceeds	1,045,113
Compensated absences	1,146,354
Unassigned	14,390,481
Total fund balances	<u>23,928,204</u>
<b>TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCES</b>	<u>\$ 42,308,894</u>

The Notes to the 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
\$ 1,755,086	\$ 739,199	\$ 1,571,010	\$ 14,739,394
-	9,300	-	18,795,744
1,095,767	-	-	11,988,705
-	-	42,371	1,706,114
-	-	-	291,670
<u>\$ 2,850,853</u>	<u>\$ 748,499</u>	<u>\$ 1,613,381</u>	<u>\$ 47,521,627</u>
191,923	\$ -	\$ 43,163	\$ 1,618,312
-	-	36,880	36,880
-	-	-	157,628
<u>191,923</u>	<u>-</u>	<u>80,043</u>	<u>1,812,820</u>
1,557,265	-	-	17,037,912
-	-	-	1,344,789
-	-	-	14,400
<u>1,557,265</u>	<u>-</u>	<u>-</u>	<u>18,397,101</u>
-	-	-	7,346,256
1,101,665	-	-	1,101,665
-	748,499	-	748,499
-	-	334,620	334,620
-	-	1,198,718	1,198,718
-	-	-	1,045,113
-	-	-	1,146,354
-	-	-	14,390,481
<u>1,101,665</u>	<u>748,499</u>	<u>1,533,338</u>	<u>27,311,706</u>
<u>\$ 2,850,853</u>	<u>\$ 748,499</u>	<u>\$ 1,613,381</u>	<u>\$ 47,521,627</u>

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## Pecos County, Texas

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position December 31, 2016

**TOTAL FUND BALANCE - GOVERNMENTAL FUND** \$ 27,311,706

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. 22,534,120

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.

Consolidation of internal service fund activities related to the enterprise fund	\$ 2,024,749	
Internal service fund net position	129,789	2,154,538

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. 1,344,789

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	\$ (4,076,158)	
Deferred outflows of resources - pensions	3,762,011	
Deferred inflows related to pension	(464,716)	(778,863)

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. (29,993,476)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** \$ 22,572,814

**Pecos County, Texas**  
Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
For the Fiscal Year Ended December 31, 2016

	<u>General</u>
<b>REVENUES</b>	
Taxes	\$ 16,176,076
Alcoholic beverage taxes	30,354
Fines and forfeitures	7,389
Intergovernmental	440,441
Charges for services	2,936,268
Payment in lieu of taxes	1,325,827
Royalties	87,097
Interest	190,520
Proceeds from settlement	1,136,784
Other	89,704
	<hr/>
Total revenues	22,420,460
<b>EXPENDITURES</b>	
General government	4,656,964
Judicial	1,911,727
Financial administration	1,235,865
Law enforcement	1,621,382
Corrections	994,582
Health and welfare	2,327,633
Fire protection	375,425
Culture and recreation	2,086,280
Libraries	444,912
Building maintenance	474,005
Utilities	594,377
Conservation	150,568
Public service	417,117
Airport	50,263
Highways and streets	-
Capital outlay	-
Debt service principal	-
Debt service interest and fiscal charges	-
	<hr/>
Total expenditures	17,341,100
	<hr/>
Excess (deficiency) of revenues over expenditures	5,079,360
<b>OTHER FINANCING SOURCES (USES)</b>	
Sale of asset	17,446
Transfers from other funds	449,409
Transfers to other funds	(3,392,572)
	<hr/>
Total other financing (uses) sources	(2,925,717)
	<hr/>
Net change in fund balances	2,153,643
Fund balances - beginning of year	21,774,561
	<hr/>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 23,928,204</u>

The Notes to the 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
\$ 2,395,818	1,293,709	\$ -	\$ 19,865,603
-	-	-	30,354
-	-	83,861	91,250
125,428	-	1,334,465	1,900,334
554,492	-	749,185	4,239,945
-	-	-	1,325,827
-	-	-	87,097
-	27	2,496	193,043
-	-	-	1,136,784
-	-	12,144	101,848
<u>3,075,738</u>	<u>1,293,736</u>	<u>2,182,151</u>	<u>28,972,085</u>
-	-	-	4,656,964
-	-	115,382	2,027,109
-	-	-	1,235,865
-	-	18,831	1,640,213
-	-	1,418,215	2,412,797
-	-	36,996	2,364,629
-	-	-	375,425
-	-	-	2,086,280
-	-	-	444,912
-	-	-	474,005
-	-	-	594,377
-	-	-	150,568
-	-	372,486	789,603
-	-	-	50,263
3,612,742	-	-	3,612,742
-	-	25,209	25,209
-	625,000	-	625,000
-	29,381	-	29,381
<u>3,612,742</u>	<u>654,381</u>	<u>1,987,119</u>	<u>23,595,342</u>
(537,004)	639,355	195,032	5,376,743
-	-	-	17,446
12,164	-	13,964	475,537
-	(644,312)	(412,018)	(4,448,902)
<u>12,164</u>	<u>(644,312)</u>	<u>(398,054)</u>	<u>(3,955,919)</u>
(524,840)	(4,957)	(203,022)	1,420,824
<u>1,626,505</u>	<u>753,456</u>	<u>1,736,360</u>	<u>25,890,882</u>
<u>\$ 1,101,665</u>	<u>\$ 748,499</u>	<u>\$ 1,533,338</u>	<u>\$ 27,311,706</u>

## Pecos County, Texas

Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Fiscal Year Ended December 31, 2016

**TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUND** \$ 1,420,824

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

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. (1,669,213)

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. (4,146,195)

Net changes in fines and forfeiture 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.) 50,463

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. 652,064

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. 320,049

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES** \$ (3,372,008)

**Pecos County, Texas**  
Statement of Net Position  
Proprietary Funds  
December 31, 2016

	<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	\$ 919,171	\$ 501,753
Investments	-	-
Accounts receivable	4,049,741	343,809
Other assets	617,309	-
Capital assets, net	15,079,505	-
Total assets	20,665,726	845,562
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows of resources - pensions	3,959,999	-
Total deferred outflows of resources	3,959,999	-
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 24,625,725</b>	<b>\$ 845,562</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 2,498,967	\$ 222,664
Due to County	154,790	-
Due to other funds	-	100,000
Estimated health claims payable	-	393,109
Net pension liability	4,612,788	-
Noncurrent liabilities:		
Due within one year	1,817,653	-
Due in more than one year	19,899,867	-
Total liabilities	28,984,065	715,773
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension	483,682	-
Total deferred inflows of resources	483,682	-
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 29,467,747</b>	<b>\$ 715,773</b>
<b>NET POSITION</b>		
Net investment in capital assets	14,124,932	-
Unrestricted	(18,966,954)	129,789
<b>TOTAL NET POSITION</b>	<b>(4,842,022)</b>	<b>\$ 129,789</b>
<b>RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF NET POSITION:</b>		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(2,024,749)	
<b>NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>	<b>\$ (6,866,771)</b>	

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

**Pecos County, Texas**  
Statement of Revenues, Expenditures, and Changes  
in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended December 31, 2016

	<u>Business -Type Activities</u>	<u>Governmental Activities</u>
	<u>Pecos County Memorial Hospital Fund</u>	<u>Internal Service Fund</u>
<b>OPERATING REVENUES</b>		
Net patient service revenue	\$ 20,859,274	\$ -
Other revenue	1,724,292	-
Charges for service	-	6,649,431
Total operating revenues	<u>22,583,566</u>	<u>6,649,431</u>
<b>OPERATING EXPENSES</b>		
Operating expenses	30,606,954	-
Depreciation	1,727,920	-
Claims	-	5,471,624
Administration - health	-	1,511,582
Administration - dental	-	105,179
Administration - life	-	16,635
Total operating expenses	<u>32,334,874</u>	<u>7,105,020</u>
Operating loss	(9,751,308)	(455,589)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Noncapital grants and contributions	11,638	-
Community benefit support	852,512	-
Intergovernmental expense	(625,000)	-
Interest earned on investments	20,536	2,809
Interest expense	(72,861)	-
Loss on disposal of assets	(1,081,479)	-
Total nonoperating (expenses) revenues	<u>(894,654)</u>	<u>2,809</u>
Loss before contributions and transfers	(10,645,962)	(452,780)
Capital grants and contributions	26,925	-
Transfers in	3,455,312	518,053
Total transfers	<u>3,455,312</u>	<u>518,053</u>
Change in net position	(7,163,725)	65,273
Net position - beginning of year	<u>2,321,703</u>	<u>64,516</u>
<b>NET POSITION, END OF YEAR</b>	<u>\$ (4,842,022)</u>	<u>\$ 129,789</u>
Reconciliation to government-wide statements of net assets:		
Change in net position	\$ (7,163,725)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund.	(254,777)	
<b>CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES</b>	<u>\$ (7,418,502)</u>	

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

**Pecos County, Texas**  
Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended December 31, 2016

	<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	\$ 21,816,162	\$ -
Other receipts and payments from operations, net	1,724,292	-
Receipts from participants	-	6,678,059
Operating expenses	(27,300,779)	(6,905,434)
Net cash used in operating activities	(3,760,325)	(227,375)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	20,536	2,809
Net cash provided by investing activities	20,536	2,809
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital grants and contributions	26,925	-
Principal payments of long-term debt and notes payable	(847,790)	-
Interest payments on long-term debt and notes payable	(72,861)	-
Proceeds from sale of capital assets	1,723	-
Purchase of capital assets	(493,835)	-
Net cash used in capital and related financing activities	(1,385,838)	-
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Payments for intergovernmental transfers	(625,000)	-
Community benefit support	852,512	-
Transfers in	3,455,312	518,053
Noncapital gains and contributions	11,638	-
Net cash provided by noncapital financing activities	3,694,462	518,053
Net (decrease) increase in cash and investments	(1,431,165)	293,487
Cash and investments at beginning of year	2,350,336	208,266
<b>CASH AND INVESTMENTS AT END OF YEAR</b>	<b>\$ 919,171</b>	<b>\$ 501,753</b>

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

## Pecos County, Texas

Statement of Cash Flows - Continued

Proprietary Funds

For the Fiscal Year Ended December 31, 2016

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>Pecos County Memorial Hospital Fund</u>	<u>Internal Service Fund</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET</b>		
<b>CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (9,751,308)	\$ (455,589)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	1,727,920	-
Decreases (increases) to assets and deferred outflow:		
Accounts receivable	956,888	28,628
Other assets	160,519	-
Deferred outflow from pension liabilities	(2,365,418)	-
Increases and (decreases) to liabilities and deferred inflow:		
Accounts payable and accrued expenses	(182,511)	78,333
Due to other funds	(141,658)	100,000
Other posts employment benefits	3,420,272	-
Pension liability	2,118,180	-
Compensated absences	(186,891)	-
Health claims payable	-	21,253
Deferred inflow from pension liabilities	483,682	-
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>\$ (3,760,325)</b>	<b>\$ (227,375)</b>

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

**Pecos County, Texas**  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
December 31, 2016

	<b>Agency Funds</b>
	<hr/>
<b>ASSETS</b>	
Cash	\$ 2,664,824
<b>TOTAL ASSETS</b>	<hr/> <b>\$ 2,664,824</b> <hr/>
<b>LIABILITIES</b>	
Accounts payable	\$ 15,293
Due to other governments	1,484,475
Due to beneficiaries	1,165,056
<b>TOTAL LIABILITIES</b>	<hr/> <b>\$ 2,664,824</b> <hr/>

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

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## **Notes to the Financial Statements**

**Pecos County, Texas**  
**Annual Financial Report**  
For the Fiscal Year Ended December 31, 2016  
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## Pecos County, Texas

### Notes to the Financial Statements

#### Note 1. Summary of Significant Accounting Policies

##### A. 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.

##### B. 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.

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.

## Pecos County, Texas

### Notes to the Financial Statements

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 2016.

#### C. 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.

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. Transfers are eliminated within the governmental activities.

## Pecos County, Texas

### Notes to the Financial Statements

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.

*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.

## Pecos County, Texas

### Notes to the Financial Statements

#### 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.

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.

#### D. 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 the Financial Statements

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.

#### **E. 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, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank.

## **Pecos County, Texas**

### Notes to the Financial Statements

#### **F. 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.

#### **G. 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, 2016, including the portion budgeted for the retirement of long-term debt principal and interest for the general and debt service fund was \$0.726 per \$100 valuation. The tax rate for the road and bridges fund was \$0.073 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.

#### **H. 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.

#### **I. 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.

#### **J. 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.

**Pecos County, Texas**  
Notes to the Financial Statements

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

**K. 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.

**L. 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:**

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. At December 31, 2016 the County had \$0 nonspendable fund balance.

## Pecos County, Texas

### Notes to the Financial Statements

#### 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.

#### M. 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.

**Pecos County, Texas**  
Notes to the Financial Statements

**N. 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.

**O. 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 2016, 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.

**P. Pensions**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, the County specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS) and additions to/deductions from the County's Fiduciary Net Position have been determined on the same basis as they are reported by 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 is obtained from TCERS through a report prepared for the District by TCERS consulting actuary, Milliman, in compliance with GASB 68.

**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 \$(29,993,476) difference is as follows:

Bonds, certifications of obligations and tax notes payable	\$ (640,000)
Bond premium liability	(27,067)
Compensated absences	(1,146,354)
Other post employment benefits	<u>(28,180,055)</u>
<b>Net adjustment to reduce <i>fund balance – total governmental funds</i></b>	
<b><i>to arrive at net position – governmental activities</i></b>	<b><u><u>\$ (29,993,476)</u></u></b>

# Pecos County, Texas

## Notes to the Financial Statements

### 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 \$(1,669,213) difference is as follows:

Capital additions	\$ 430,064
Disposal of capital assets	(30,215)
Depreciation expense	<u>(2,069,062)</u>
<b><i>Net adjustment to decrease net change in fund balances- total governmental funds to arrive at change in net position of governmental activities.</i></b>	<b><u><u>\$ (1,669,213)</u></u></b>

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 \$(4,146,195) difference is as follows:

Net change in compensated absences	\$ 82,147
Net change in interest accrual	4,230
Net pension income (expense)	(42,479)
Net change in other post employment benefits	<u>(4,190,093)</u>
<b><i>Net adjustment to decrease net change in fund balances total governmental funds to arrive at change in net position of governmental activities</i></b>	<b><u><u>\$ (4,146,195)</u></u></b>

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 \$652,064 difference is as follows:

Amortization of bond premium	\$ 27,064
Principal repayments of Refunding bonds	<u>625,000</u>
<b><i>Net adjustment to increase net change in fund balances total governmental funds to arrive at change in net position of governmental activities</i></b>	<b><u><u>\$ 652,064</u></u></b>

**Pecos County, Texas**  
Notes to the Financial Statements

Lastly, the changes in net position from the internal service fund and internal balances due to internal service fund activity reconciles with governmental activities. Internal balances are from the hospital fund due to the governmental funds supporting the operating loss during the year. The detail of this \$320,049 balance difference is as follows:

Net change in internal service net position	\$ 65,273
The change in internal balances	<u>254,776</u>
<i>Net adjustment to decrease net change in fund balances</i>	
<i>total governmental funds to arrive at change in</i>	
<i>net position of governmental activities</i>	<u>\$ 320,049</u>

**Note 3. Stewardship, Compliance and Accountability**

**Deficit Fund Equity**

All of the County's major funds held positive fund equity at December 31, 2016. The County held positive fund equity for all special revenue funds except for the Community Development Block Grant fund which had a deficit fund balance of \$16,600 as of December 31, 2016.

**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.

**Pecos County, Texas**  
Notes to the Financial Statements

**A. 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.”

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.

**B. 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, 2016 the County invested in mutual funds with CAT-Government and Agency Securities Portfolio.

Investments owned by the County at December 31, 2016 are shown below:

	Fair Value	Credit Risk
	_____	_____
CAT-Government and Agency Securities Portfolio	\$ 18,795,744	AAAm – S & P
	_____	
<b>Total</b>	<b>\$ 18,795,744</b>	
	=====	

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 categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and

## Pecos County, Texas

### Notes to the Financial Statements

Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs-other than quoted prices included within Level 1-that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

CAT – Government and Agency is measured at amortized cost and are exempt for fair value reporting.

At year-end, the carrying amount of the County's cash and cash equivalents was \$18,825,142 (bank deposits were \$15,241,147 in governmental activities, \$919,171 in business-type activities and \$2,664,824 in agency funds). The bank balances totaled \$18,758,427 of which \$750,000 was covered by Federal Depository Insurance Corporation (FDIC) and \$18,008,427 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, 2016, 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, 2016, 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 the 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	Nonmajor Funds	Business- Type Activities	Internal Service Funds	Total
Receivables:						
Taxes	\$ 12,323,013	\$ 1,239,624	\$ -	\$ -	\$ -	\$ 13,562,637
Patients	-	-	-	16,323,656	-	16,323,656
Other	100,805	-	42,371	1,902,906	343,809	2,389,891
Fines and fees	11,934,740	-	-	-	-	11,934,740
Gross receivables	24,358,558	1,239,624	42,371	18,226,562	343,809	44,210,924
Less: allowance for uncollectibles	(11,801,877)	(143,857)	-	(14,176,821)	-	(26,122,555)
<b>Net total receivables</b>	<b>\$ 12,556,681</b>	<b>\$ 1,095,767</b>	<b>\$ 42,371</b>	<b>\$ 4,049,741</b>	<b>\$ 343,809</b>	<b>\$ 18,088,369</b>

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	\$ 17,037,912
Other	1,359,189
<b>Total</b>	<b>\$ 18,397,101</b>

**Pecos County, Texas**  
Notes to the Financial Statements

**Note 6. Capital Assets**

Capital asset activity for the year ended December 31, 2016 was as follows:

	Balance 12/31/2015	Additions/ Completions	Retirements/ Adjustments	Balance 12/31/2016
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,300,915	\$ 45,033	\$ -	\$ 1,345,948
Construction-in-progress	908,261	69,024	(8,524)	968,761
Total capital assets, not being depreciated	2,209,176	114,057	(8,524)	2,314,709
Capital assets, being depreciated:				
Buildings	19,652,686	-	(20,364)	19,632,322
Improvements other than buildings	6,466,024	-	-	6,466,024
Machinery and equipment	16,785,078	324,531	(544,207)	16,565,402
Infrastructure	1,236,551	-	-	1,236,551
Total capital assets, being depreciated	44,140,339	324,531	(564,571)	43,900,299
Less accumulated depreciation for:				
Buildings	(7,300,699)	(403,082)	28,812	(7,674,969)
Improvements other than buildings	(3,126,394)	(237,416)	-	(3,363,810)
Machinery and equipment	(10,914,693)	(1,374,225)	505,544	(11,783,374)
Infrastructure	(804,396)	(54,339)	-	(858,735)
Total accumulated depreciation	(22,146,182)	(2,069,062)	534,356	(23,680,888)
Total capital assets being depreciated, net	21,994,157	(1,744,531)	(30,215)	20,219,411
<b>Governmental activities capital assets, net</b>	<b>\$ 24,203,333</b>	<b>\$ (1,630,474)</b>	<b>\$ (38,739)</b>	<b>\$ 22,534,120</b>
	Balance 12/31/2015	Additions/ Completions	Retirements/ Adjustments	Balance 12/31/2016
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 85,649	\$ -	\$ -	\$ 85,649
Construction-in-progress	1,083,202	-	(1,083,202)	-
Total capital assets, not being depreciated	1,168,851	-	(1,083,202)	85,649
Capital assets, being depreciated:				
Land improvements	735,721	-	-	735,721
Buildings and improvements	24,271,125	452,395	-	24,723,520
Equipment	12,695,434	41,440	220,973	12,957,847
Leased assets	1,179,159	-	(220,973)	958,186
Capitalized interest	1,746,954	-	-	1,746,954
Total capital assets, being depreciated	40,628,393	493,835	-	41,122,228
Less accumulated depreciation for:				
Land improvements	(593,553)	(20,710)	-	(614,263)
Buildings and improvements	(11,801,744)	(772,244)	-	(12,573,988)
Equipment	(11,728,462)	(694,261)	(204,901)	(12,627,624)
Leased assets	318,428	(197,031)	204,901	326,298
Capitalized interest	(595,121)	(43,674)	-	(638,795)
Total accumulated depreciation	(24,400,452)	(1,727,920)	-	(26,128,372)
Total capital assets being depreciated, net	16,227,941	(1,234,085)	-	14,993,856
<b>Business-type activities capital assets, net</b>	<b>\$ 17,396,792</b>	<b>\$ (1,234,085)</b>	<b>\$ (1,083,202)</b>	<b>\$ 15,079,505</b>

**Pecos County, Texas**  
Notes to the Financial Statements

**Primary Government**

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

Governmental activities:	
General government	\$ 102,135
Judicial	34,227
Law enforcement	340,670
Corrections	43,834
Health and welfare	198,419
Fire protection	207,859
Culture and recreation	349,359
Library	15,507
Financial administration	31,633
Building maintenance	26,625
Conservation	4,138
Highway and streets	656,391
Airport	58,265
<b>Total depreciation expense – governmental activities</b>	<b>\$ 2,069,062</b>
Business-type activities:	
Pecos County Memorial Hospital	\$ 1,727,920
<b>Total depreciation expense - business-type activities</b>	<b>\$ 1,727,920</b>

**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, 2016:

Fund	Receivable	Payable
General fund	\$ 291,670	\$ -
Internal service fund	-	100,000
Nonmajor governmental funds:		
Juvenile probation TJPC A-R	-	1,216
Texas J regional advisory council fund	-	7,033
Operation linebacker fund	-	8,139
Border prosecution	-	10,627
Federal Victims of Crime Act Fund	-	4,175
Local border security - LBSP - 13	-	5,690
	-	36,880
Enterprise fund:		
Pecos County Memorial Hospital	-	154,790
<b>Total all funds</b>	<b>\$ 291,670</b>	<b>\$ 291,670</b>

**Pecos County, Texas**  
Notes to the Financial Statements

**Note 8. Long-Term Debt**

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

	Balance 12/31/2015	Additions	Retirements	Balance 12/31/2016	Amount Due within one year
<b>Governmental Activities:</b>					
G.O Refunding Bond Series 2011	\$ 1,265,000	\$ -	\$ 625,000	\$ 640,000	\$ 640,000
Unamortized bond premium	54,131	-	27,064	27,067	-
Accrued compensation	1,228,501	460,080	542,227	1,146,354	573,177
Other post employment benefits obligation	23,989,962	4,190,093	-	28,180,055	1,192,000
<b>Total governmental activities</b>	<b>\$ 26,537,594</b>	<b>\$ 4,650,173</b>	<b>\$ 1,194,291</b>	<b>\$ 29,993,476</b>	<b>\$ 2,405,177</b>
<b>Business-type Activities:</b>					
C.O Bond Series 2008	\$ 1,250,000	\$ -	\$ 615,000	\$ 635,000	\$ 635,000
Capital lease obligation	552,363	-	232,790	319,573	129,851
Accrued compensation	1,428,494	433,911	620,802	1,241,603	620,802
Other post employment benefits obligation	16,101,072	3,420,272	-	19,521,344	432,000
<b>Total business-type activities</b>	<b>\$ 19,331,929</b>	<b>\$ 3,854,183</b>	<b>\$ 1,468,592</b>	<b>\$ 21,717,520</b>	<b>\$ 1,817,653</b>

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
2017	640,000	9,600	649,600	635,000	9,874	644,874
<b>Total</b>	<b>\$ 640,000</b>	<b>\$ 9,600</b>	<b>\$ 649,600</b>	<b>\$ 635,000</b>	<b>\$ 9,874</b>	<b>\$ 644,874</b>

**A. 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. Business-type activities assets under capital leases total \$1,179,159 at December 31, 2016. The outstanding balance of business-type activities capital lease obligations at December 31, 2016 was \$319,573.

**Pecos County, Texas**  
Notes to the Financial Statements

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

Total Year End Requirements	Business-type Activities
2017	\$ 158,322
2018	113,791
2019	67,584
2020	39,425
Minimum lease payments	379,122
Less: Amount representing interest	(59,549)
<b>Present value of minimum lease payments</b>	<b>\$ 319,573</b>

**Note 9. Compensated Absences**

**A. 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, 2016 the value of accumulated vacation, compensatory benefits and sick time amounted to \$1,146,354 which is a net decrease of \$82,147 from the prior year. The estimated amount that is current is \$573,177.

**B. Business-type Activities**

As of December 31, 2016, the Hospital has accrued a compensated absences liability of \$1,241,603, 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, 2016, 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.

The County obtained excess loss insurance, which limited annual claims paid from the fund for the year ended December 31, 2016, to \$100,000 for any individual participant and an aggregate limit equal to \$7,266,524.

Estimates of claims payable and of claims incurred but not reported at December 31, 2016, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

**Pecos County, Texas**  
Notes to the Financial Statements

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

	Year ended December 31, 2016	Year ended December 31, 2015
Unpaid claims, beginning of year	\$ 371,855	\$ 506,087
Incurred claims, (including IBNR)	5,474,667	5,778,219
Claim payments	(5,453,413)	(5,912,451)
<b>Unpaid claims, end of year</b>	<b>\$ 393,109</b>	<b>\$ 371,855</b>

**Note 11. Retirement Commitments**

**A. 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.

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, 2015 include:

Retirees or beneficiaries currently receiving benefits	215
Inactive employees entitle to but not yet receiving benefits	412
Active employees	481
<b>Total</b>	<b>1108</b>

## Pecos County, Texas

### Notes to the Financial Statements

#### 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 2016.

The deposit rate payable by the employee members for calendar year 2015 and 2016 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.

#### 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, 2015
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 Years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.00%
Salary Increase	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, 2015 valuation were based on the results of an actuarial experience study for the years 2010-2013.

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 the Financial Statements

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

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	14.50%	5.45%
Private Equity	14.00%	8.45%
Global Equities	1.50%	5.75%
International Equities-Developed	10.00%	5.45%
International Equities-Emerging	8.00%	6.45%
Investment-Grade Bonds	3.00%	1.00%
High-Yield Bonds	3.00%	5.10%
Opportunistic Credit	2.00%	5.09%
Direct Lending	5.00%	6.40%
Distressed Debt	3.00%	81.00%
REIT Equities	3.00%	4.00%
Master Limited Partnerships	3.00%	6.80%
Private Real Estate Partnerships	5.00%	6.90%
Hedge Funds	25.00%	5.25%
<b>Total</b>	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 2016 are summarized below.

**Pecos County, Texas**  
Notes to the Financial Statements

**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 at December 31, 2014	\$ 71,144,623	\$ 66,608,973	\$ 4,535,650
Changes for the year:			
Service cost	2,973,703	-	2,973,703
Interest on total pension liability <sup>(1)</sup>	5,759,225	-	5,759,225
Effect of plan changes <sup>(2)</sup>	(511,212)	-	(511,212)
Effect of economic/demographic gains or losses	(1,264,530)	-	(1,264,530)
Effect of assumptions changes or inputs	927,974	-	927,974
Refund of contributions	(450,213)	(450,213)	-
Benefit payments	(3,028,124)	(3,028,124)	-
Administrative expenses	-	(48,039)	48,039
Member contributions	-	1,615,580	(1,615,580)
Net investment income	-	(109,580)	109,580
Employer contributions	-	2,169,494	(2,169,494)
Other <sup>(3)</sup>	-	104,409	(104,409)
<b>Balances at December 31, 2015</b>	<b>\$ 75,551,446</b>	<b>\$ 66,862,500</b>	<b>\$ 8,688,946</b>

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

(2) Reflects new annuity purchase rates applicable to all TCDRS employers effective January 1, 2018.

(3) 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, 2015, 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	\$ 85,677,237	\$ 75,551,446	\$ 67,182,269
Fiduciary net pension	66,862,501	66,862,500	66,862,501
<b>Net pension liability / (asset)</b>	<b>\$ 18,814,736</b>	<b>\$ 8,688,946</b>	<b>\$ 319,768</b>

**Pecos County, Texas**  
Notes to the Financial Statements

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

**Related to Pensions**

For the year ended December 30, 2016, the County recognized pension expense of \$42,479 related to the December 31, 2015 valuation. At December 31, 2016, 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	\$ 948,398	\$ 23,624
Change of assumptions	-	695,980
Net difference between projected and actual investment earnings	-	4,974,624
Contributions subsequent to the measurement date	-	2,027,782
<b>Total</b>	<b>\$ 948,398</b>	<b>\$ 7,722,010</b>

Deferred outflows of resources related to the Plan resulting from contributions subsequent to the measurement date of \$2,027,782 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016 (i.e. recognized in the County’s financial statements December 31, 2017). 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
2017	\$ 1,214,723
2018	1,214,723
2019	1,202,911
2020	1,113,474
<b>Total</b>	<b>\$ 4,745,831</b>

**C. 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, 2016, 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, 2016, retirees do not pay a premium at any time, but do pay \$50 per month for their spouse’s premium.

## Pecos County, Texas

### Notes to the Financial Statements

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, 2016, the County contributed approximately \$1,154,670. 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.

#### 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	\$ 7,161,394
Interest on net OPEB obligation	1,603,641
	<hr/>
Annual OPEB cost (expense)	8,765,035
Contributions made*	(1,154,670)
	<hr/>
Increase in net OPEB	7,610,365
Net OPEB obligation, beginning of the year	40,091,034
	<hr/>
<b>Net OPEB obligation, end of the year</b>	<b>\$ 47,701,399</b>
	<hr/> <hr/>

For 2016, the County's annual OPEB cost (expense) of \$8,765,035 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 2016 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions*	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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
12/31/2016	\$ 8,765,035	\$ 1,154,670	13.2%	\$ 47,701,399

*\*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 the Financial Statements

**Funded Status**

The funded status of the plan as of December 31, 2016, was as follows:

Schedule of Funding

Actuarial Accrued Liability ( AAL)	\$	50,588,953
Actuarial Value of Plan Assets		-
Unfunded Actuarial Accrued Liability (UAAL)		50,588,953
Funded Ratio (Actuarial Value of Plan Assets/AAL)		-
Covered Payroll (Active Plan Members)		N/A
Unfunded Actuarial Accrued Liability (UAAL) as Percentage of Covered Payroll		-

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.

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.

**Pecos County, Texas**  
Notes to the Financial Statements

*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.

**Note 12. Operating Leases**

The County's has entered into noncancellable operating leases for various equipment in governmental activities. The future minimum rental commitments for those leases at December 31, 2016 are as follows:

Total Year End Requirements	Governmental Activities
2017	\$ 66,305
2018	55,862
2019	37,070
2020	22,751
2021	10,513
Thereafter	406,644
<b>Present value of minimum future lease payments</b>	<b>\$ 599,145</b>

**Note 13. Contingent Liabilities**

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

In the normal course of business, the County has been named in several civil lawsuits. The outcome of these cases cannot presently be determined; however, County management is of the opinion that the settlement of pending litigation will not have a material adverse effect on the County's financial statements.

**Note 14. Additional Enterprise Fund Disclosures**

Accounts receivable consists of the following at December 31, 2016:

	Pecos County Memorial Hospital
Gross accounts receivable	\$ 18,226,562
Less: allowance for bad debts and contractual adjustments	(14,176,821)
<b>Accounts receivable, net of allowance</b>	<b>\$ 4,049,741</b>

*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**

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.

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.

## Pecos County, Texas

### Notes to the Financial Statements

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.

GASB issued Statement No. 82: *Pension Issues* – an amendment of GASB Statements No. 67, No.68, and No. 73. This Statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

GASB issued Statement No. 84: *Fiduciary Activities* - The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

## Pecos County, Texas

### Notes to the Financial Statements

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Statement No. 87: Leases - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

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

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## **Required Supplemental Information**

**Pecos County, Texas**  
 Schedule of Funding Progress  
 December 31, 2016

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
January 1, 2013	-	\$ 38,301,102	\$ 38,301,102	0.00%	NA	NA
January 1, 2015	-	\$ 50,588,953	\$ 50,588,953	0.00%	NA	NA
January 1, 2017	-	\$ 70,528,753	\$ 70,528,753	0.00%	NA	NA

*Note: The Actuarial Valuation of Postretirement Benefits Under GASB 45 report is prepared biannually by CapRisk Consulting Group.*

# 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, 2016

	2015	2014
<b>TOTAL PENSION LIABILITY</b>		
Service cost	\$ 2,973,703	\$ 2,780,990
Interest (on the total pension liability)	5,759,225	5,343,058
Effect of plan changes	(511,212)	-
Effect of assumption changes or inputs	927,974	-
Effect of economic/demographic (gains) or losses	(1,264,530)	47,248
Benefit payments/refunds of contributions	(3,478,337)	(3,191,714)
Net change in total pension liability	4,406,823	4,979,582
Total pension liability - beginning	71,144,623	66,165,041
<b>TOTAL PENSION LIABILITY - ENDING (a)</b>	<b>\$ 75,551,446</b>	<b>\$ 71,144,623</b>
<b>PLAN FIDUCIARY NET POSITION</b>		
Contributions - employer	\$ 2,169,495	\$ 2,159,972
Contributions - employee	1,615,580	1,574,247
Investment income net of investment expenses	(109,580)	4,215,709
Benefit payments/refunds of contributions	(3,478,338)	(3,191,714)
Administrative expense	(48,039)	(49,507)
Other	104,409	(14,286)
Net change in plan fiduciary net position	253,527	4,694,421
Plan fiduciary net position - beginning	66,608,973	61,914,552
<b>PLAN FIDUCIARY NET POSITION - ENDING (b)</b>	<b>\$ 66,862,500</b>	<b>\$ 66,608,973</b>
<b>NET PENSION LIABILITY - ENDING (a)-(b)</b>	<b>\$ 8,688,946</b>	<b>\$ 4,535,650</b>
Plan fiduciary net position as a percentage of total pension liability	88.50%	93.62%
Covered employee payroll	\$ 23,079,720	\$ 22,466,129
Net pension liability as a percentage of covered employee payroll	37.65%	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 two 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, 2016

	Year Ended December 31,		
	2013	2014	2015
Actuarially determined contribution	\$ 1,987,873	\$ 2,156,748	\$ 2,169,494
Contributions in relation to the actuarially determined contribution	(1,987,873)	(2,159,972)	(2,169,494)
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<b>\$ -</b>	<b>\$ (3,224)</b>	<b>\$ -</b>
Covered-employee payroll	\$ 18,595,904	\$ 20,881,018	\$ 22,466,129
Contributions as a percentage of covered-employee payroll	-10.69%	-10.34%	-9.66%

**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	1.3 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 and longevity component that on average approximates 1.4% per year for a career employee.
Investment rate of return	8%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

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

For the Fiscal Year Ended December 31, 2016

Budget		Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)	
		Original	Final			
<b>REVENUES</b>						
7100	50	Taxes	\$ 16,037,906	\$ 16,037,906	\$ 16,176,076	\$ 138,170
7100	51	ABC Tax	32,000	32,000	30,354	(1,646)
7100	53	Fines and forfeitures	13,500	13,500	7,389	(6,111)
7100	52	Intergovernmental	482,050	399,282	440,441	41,159
7100	55	Charges for services	2,627,200	2,627,200	2,936,268	309,068
7100	82	Payment in lieu of taxes	907,793	907,793	1,325,827	418,034
7100	83	Proceeds from settlement	-	-	1,136,784	1,136,784
7100	81	Royalties	120,000	120,000	87,097	(32,903)
7100	54	Interest	101,150	101,150	190,520	89,370
7100	80	Other	85,700	85,700	89,704	4,004
Total revenues			20,407,299	20,324,531	22,420,460	2,095,929
<b>EXPENDITURES</b>						
Current:						
General government						
7230	400	Office of the County Judge	196,110	202,698	197,974	4,724
7230	403	Office of the County Clerk	358,344	344,623	324,670	19,953
7230	405	Veterans' Administration	55,194	57,245	56,626	619
7230	401	Commissioners' Court	388,705	388,705	263,187	125,518
7230	409	Nondepartmental	4,023,500	3,948,827	3,814,507	134,320
Total general government			5,021,853	4,942,098	4,656,964	285,134
Judicial:						
7242	450	Office of the District Clerk	272,549	272,549	268,357	4,192
7242	426	County Court at Law	52,400	52,400	41,576	10,824
7242	435	83rd District Court	160,691	162,836	140,240	22,596
7242	436	112th District Court	229,849	228,635	187,177	41,458
7242	437	Office of the 83rd District Attorney	390,570	310,379	244,345	66,034
7242	438	Office of the 112th District Attorney	257,376	257,476	200,865	56,611
7242	451	Justice of the Peace #1	244,538	244,538	238,112	6,426
7242	453	Justice of the Peace #3	105,060	105,060	104,259	801
7242	454	Justice of the Peace #4	42,942	42,942	41,999	943
7242	456	Justice of the Peace #6	105,727	106,943	104,527	2,416
7242	475	Office of the County Attorney	325,296	325,226	323,461	1,765
7242	465	County Law Library	18,334	18,334	16,809	1,525
Total judicial			2,205,332	2,127,318	1,911,727	215,591
Financial Administration:						
7247	495	Office of the County Auditor	389,133	389,132	387,433	1,699
7247	497	Office of the County Treasurer	132,104	132,104	131,136	968
7247	499	Office of the Tax Assessor Collector	423,748	423,748	397,094	26,654
7247	503	Data processing	441,500	441,500	320,202	121,298
Total financial administration			1,386,485	1,386,484	1,235,865	150,619

# Pecos County, Texas

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances

#### Budget (GAAP Basis) and Actual – Continued

For the Fiscal Year Ended December 31, 2016

			Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
			Original	Final		
Law enforcement:						
7238	551	Constable Precinct #1	25,683	25,683	25,156	527
7238	553	Constable Precinct #3	27,611	27,611	26,982	629
7238	554	Constable Precinct #4	26,100	26,100	25,551	549
7238	556	Constable Precinct #6	25,475	25,475	24,926	549
7238	561	Public Safety Department	3,300	3,300	3,217	83
7238	560	Office of the Sheriff	1,636,410	1,617,410	1,515,550	101,860
Total law enforcement			1,744,579	1,725,579	1,621,382	104,197
Corrections:						
7245	512	Correctional facility	683,776	702,776	693,930	8,846
7245	570	Adult probation	40,938	40,938	40,329	609
7245	572	Juvenile probation	296,590	296,590	260,323	36,267
Total corrections			1,021,304	1,040,304	994,582	45,722
Health and welfare:						
7235	632	Sanitation department	57,100	68,900	67,633	1,267
7235	540	EMS	2,166,766	2,166,768	2,079,384	87,384
7235	640	Social services	94,000	94,000	68,800	25,200
7235	631	Emergency Management/Homeland Security	101,377	112,209	111,816	393
Total health and welfare			2,419,243	2,441,877	2,327,633	114,244
7237		Fire protection	386,250	390,687	375,425	15,262
Culture and recreation:						
7233	660	Recreation	135,075	135,075	125,273	9,802
7233	659	Fort Stockton Golf Course	495,857	595,263	575,433	19,830
7233	658	Iraan Golf Course	213,259	212,759	199,440	13,319
7233	661	Park #1	232,284	230,637	212,312	18,325
7233	662	Park #2	514,961	505,947	424,919	81,028
7233	663	Park #3	308,504	343,672	334,422	9,250
7233	664	Park #4	249,459	239,252	205,130	34,122
7233	696	Historical Commission	14,336	14,336	9,351	4,985
Total culture and recreation			2,163,735	2,276,941	2,086,280	190,661

# Pecos County, Texas

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances

#### Budget (GAAP Basis) and Actual – Continued

For the Fiscal Year Ended December 31, 2016

			Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
			Original	Final		
Libraries:						
7249	650	Fort Stockton library	326,676	326,676	299,731	26,945
7249	651	Imperial library	50,807	50,808	50,634	174
7249	652	Iraan library	97,386	98,186	94,547	3,639
Total libraries			474,869	475,670	444,912	30,758
7248		Building maintenance	394,068	485,293	474,005	11,288
7240		Utilities	747,000	747,001	594,377	152,624
7239		Conservation	155,852	155,853	150,568	5,285
Public service:						
7246	490	Elections	58,194	71,915	66,978	4,937
7246	590	Pecos County Water	187,657	233,737	175,933	57,804
7246	695	Miscellaneous	173,786	175,393	174,206	1,187
Total public service			419,637	481,045	417,117	63,928
7250		Airport	293,200	293,200	50,263	242,937
Total expenditures			18,833,407	18,969,350	17,341,100	1,628,250
Excess of revenues over expenditures			1,573,892	1,355,181	5,079,360	3,724,179
<b>OTHER FINANCING SOURCES (USES)</b>						
7300 00		Sale of assets	5,000	5,000	17,446	12,446
7300	50	Transfers from other funds	635,000	734,408	449,409	(284,999)
7300	60	Transfers to other funds	(635,000)	(866,971)	(3,392,572)	(2,525,601)
Total other financing sources (uses)			5,000	(127,563)	(2,925,717)	(2,798,154)
Net change in fund balances			1,578,892	1,227,618	2,153,643	926,025
Fund balances - beginning of year			21,774,561	21,774,561	21,774,561	-
<b>FUND BALANCES - END OF YEAR</b>			<b>\$ 23,353,453</b>	<b>\$ 23,002,179</b>	<b>\$ 23,928,204</b>	<b>\$ 926,025</b>

**Pecos County, Texas**  
Road and Bridge Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget (GAAP Basis) and Actual  
For the Fiscal Year Ended December 31, 2016

Budget				Budgeted Amounts		Actual Amounts	Variance with Final Budget -
				Original	Final		Positive (Negative)
<b>REVENUES</b>							
7100	50	Taxes		\$ 2,363,763	\$ 2,363,763	\$ 2,395,818	\$ 32,055
7100	52	Intergovernmental		41,000	41,000	125,428	84,428
7100	55	Fees of office		900,500	900,500	554,492	(346,008)
		Total revenues		3,305,263	3,305,263	3,075,738	(229,525)
<b>EXPENDITURES</b>							
Highways and streets							
Precinct #1:							
621 01		Salaries and benefits		438,428	434,436	426,586	7,850
621 02		Supplies		6,000	7,293	7,253	40
621 03		Fuel		55,000	37,700	35,004	2,696
621 04		Uniforms		1,000	1,754	1,754	-
621 05		Communications		2,600	2,600	1,850	750
621 06		Travel		-	113	113	-
621 07		Registration fees		600	600	122	478
621 08		Repairs and maintenance		23,135	26,013	24,383	1,630
621 09		Lease expenditures		-	167	167	-
621 12		Equipment		-	2,717	2,717	-
621 00		Road improvements		5,000	4,735	4,310	425
		Total Precinct #1		531,763	518,128	504,259	13,869
Precinct #2:							
622 01		Salaries and benefits		398,041	398,041	387,999	10,042
622 02		Supplies		7,800	6,203	5,584	619
622 03		Fuel		45,000	49,582	43,107	6,475
622 04		Uniforms		1,000	999	996	3
622 05		Communications		3,000	3,000	2,460	540
622 06		Travel		1,550	1,550	1,459	91
622 07		Registration fees		400	400	305	95
622 08		Repairs and maintenance		11,800	36,396	36,217	179
622 09		Lease expenditures		125	125	110	15
622 10		Dues and subscriptions		-	90	90	-
622 11		Contract services		1,500	2,138	2,138	-
622 12		Equipment		-	1,152	1,152	-
622 00		Road improvements		5,000	5,662	662	5,000
		Total Precinct #2		475,216	505,338	482,279	23,059

# Pecos County, Texas

## Road and Bridge Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balances

#### Budget (GAAP Basis) and Actual – Continued

For the Fiscal Year Ended December 31, 2016

		Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
Precinct #3:					
623 01	Salaries and benefits	435,655	418,698	415,230	3,468
623 02	Supplies	7,000	17,133	15,769	1,364
623 03	Fuel	50,000	33,246	32,672	574
623 04	Uniforms	600	933	933	-
623 05	Communications	8,000	7,000	6,802	198
623 07	Registration fees	250	250	-	250
623 08	Repairs and maintenance	37,100	50,767	49,605	1,162
623 09	Lease expenditures	500	500	384	116
623 10	Dues and subscriptions	200	241	241	-
623 11	Contract services	1,650	650	450	200
623 12	Equipment	-	5,380	5,256	124
623 00	Road improvements	5,000	11,157	11,156	1
Total Precinct #3		545,955	545,955	538,498	7,457
Precinct #4:					
624 01	Salaries and benefits	528,533	495,278	484,426	10,852
624 02	Supplies	7,000	16,000	15,402	598
624 03	Fuel	64,000	57,763	57,412	351
624 04	Uniforms	1,500	1,500	1,314	186
624 05	Communications	3,000	3,000	2,549	451
624 06	Travel	1,000	1,512	1,512	-
624 07	Registration fees	500	225	225	-
624 08	Repairs and maintenance	28,200	60,456	59,725	731
624 09	Lease expenditures	2,000	2,000	1,011	989
624 11	Contract services	3,000	12,679	12,056	623
624 12	Equipment	-	1,530	1,530	-
624 00	Road improvements	5,000	349	349	-
Total Precinct #4		643,733	652,292	637,511	14,781

**Pecos County, Texas**

Road and Bridge Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances

Budget (GAAP Basis) and Actual – Continued

For the Fiscal Year Ended December 31, 2016

		Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
		Original	Final		
General:					
620 20	Employee insurance	370,000	356,000	353,845	2,155
620 22	City paving	70,000	57,754	57,754	-
620 23	Lateral roads #1	10,250	10,250	10,250	-
620 24	Lateral roads #2	10,250	8,410	8,410	-
620 25	Lateral roads #3	10,250	10,250	10,250	-
620 26	Lateral roads #4	10,250	10,250	8,862	1,388
620 27	Road improvements	1,000,000	996,469	935,205	61,264
620 29	Contract services	100,000	122,500	65,619	56,881
	Total general	1,581,000	1,571,883	1,450,195	121,688
	Total highways and streets	3,777,667	3,793,596	3,612,742	180,854
	Total expenditures	3,777,667	3,793,596	3,612,742	180,854
	Excess (deficiency) of revenues over expenditures	(472,404)	(488,333)	(537,004)	(48,671)
<b>OTHER FINANCING SOURCES (USES)</b>					
7300	50 Transfers from other funds	-	12,564	12,164	(400)
	Total other financing sources (uses)	-	12,564	12,164	(400)
	Net change in fund balance	(472,404)	(475,769)	(524,840)	(49,071)
	Fund balances - beginning of year	1,626,505	1,626,505	1,626,505	-
	<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 1,154,101</b>	<b>\$ 1,150,736</b>	<b>\$ 1,101,665</b>	<b>\$ (49,071)</b>

## **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, 2016.
- 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.

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## Supplementary Information

**Pecos County, Texas**  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2016

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,571,010	\$ -	\$ 1,571,010
Receivables (net of allowances for uncollectibles)	-	-	-
Other	42,371	-	42,371
<b>TOTAL ASSETS</b>	<b>\$ 1,613,381</b>	<b>\$ -</b>	<b>\$ 1,613,381</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 43,163	\$ -	\$ 43,163
Due to other funds	36,880	-	36,880
Total liabilities	80,043	-	80,043
<b>FUND BALANCES</b>			
Restricted			
Federal and state grants	334,620	-	334,620
Legislation	1,198,718	-	1,198,718
Total fund balances	1,533,338	-	1,533,338
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,613,381</b>	<b>\$ -</b>	<b>\$ 1,613,381</b>

## Pecos County, Texas

Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended December 31, 2016

	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Funds
<b>REVENUES</b>			
Fines and forfeitures	\$ 83,861	\$ -	\$ 83,861
Intergovernmental	1,334,465	-	1,334,465
Charges for services	749,185	-	749,185
Interest	2,496	-	2,496
Other	12,144	-	12,144
Total revenues	2,182,151	-	2,182,151
<b>EXPENDITURES</b>			
Judicial	115,382	-	115,382
Law enforcement	18,831	-	18,831
Corrections	1,418,215	-	1,418,215
Health and welfare	36,996	-	36,996
Public service	372,486	-	372,486
Capital outlay	25,209	-	25,209
Total expenditures	1,987,119	-	1,987,119
Excess of revenue over expenditures	195,032	-	195,032
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	13,964	-	13,964
Transfers (out)	(13,964)	(398,054)	(412,018)
Total other financing sources (uses)	-	(398,054)	(398,054)
Net change in fund balances	195,032	(398,054)	(203,022)
Fund balances - beginning of year	1,338,306	398,054	1,736,360
<b>FUND BALANCES, end of year</b>	<b>\$ 1,533,338</b>	<b>\$ -</b>	<b>\$ 1,533,338</b>

**Pecos County, Texas**  
Special Revenue Funds  
Combining Balance Sheet  
December 31, 2016

	250	251	255 256	265
	Juvenile Probation Fees	Title IV-E Fund	Juvenile Probation TJPC A-R	Basic Supervision
<b>ASSETS</b>				
Cash	\$ 21,656	\$ 44,077	\$ 27,935	\$ 141,569
Receivables, net of allowance				
Other	40	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 21,696</u>	<u>\$ 44,077</u>	<u>\$ 27,935</u>	<u>\$ 141,569</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 5,404	\$ 2,014
Due to other funds	-	-	1,216	-
Total liabilities	-	-	6,620	2,014
<b>FUND BALANCES</b>				
Restricted:				
Federal and state grants	-	44,077	21,315	139,555
Legislation	21,696	-	-	-
Total fund balances	<u>21,696</u>	<u>44,077</u>	<u>21,315</u>	<u>139,555</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 21,696</u>	<u>\$ 44,077</u>	<u>\$ 27,935</u>	<u>\$ 141,569</u>

266	267	270	280	281	283	284	285
Community Corrections Program	Intensive Supervision	Adult Probation Fees	County Records Management	County Clerk Records Management	Court Record Preservation Fund	District Court Record Technology Fund	JP Technology Fund
\$ 23,611	\$ 123,447	\$ 12,081	\$ 61,022	\$ 241,879	\$ 16,294	\$ 14,287	\$ 49,603
-	-	-	242	-	212	220	-
<u>\$ 23,611</u>	<u>\$ 123,447</u>	<u>\$ 12,081</u>	<u>\$ 61,264</u>	<u>\$ 241,879</u>	<u>\$ 16,506</u>	<u>\$ 14,507</u>	<u>\$ 49,603</u>
\$ -	\$ 785	\$ -	\$ 1,315	\$ -	\$ -	\$ -	\$ 1,099
-	-	-	-	-	-	-	-
-	785	-	1,315	-	-	-	1,099
23,611	122,662	-	-	-	-	-	-
-	-	12,081	59,949	241,879	16,506	14,507	48,504
23,611	122,662	12,081	59,949	241,879	16,506	14,507	48,504
<u>\$ 23,611</u>	<u>\$ 123,447</u>	<u>\$ 12,081</u>	<u>\$ 61,264</u>	<u>\$ 241,879</u>	<u>\$ 16,506</u>	<u>\$ 14,507</u>	<u>\$ 49,603</u>

**Pecos County, Texas**  
Special Revenue Funds  
Combining Balance Sheet – Continued  
December 31, 2016

	286	287	370	410
	County Clerk Archival Fund	County Clerk Vital Statistics Fund	Courthouse Security Fund	Law Enforcement Grant Fund
<b>ASSETS</b>				
Cash	\$ 205,320	\$ 8,476	\$ 158,679	\$ -
Receivables, net of allowance				
Other	-	-	114	-
<b>TOTAL ASSETS</b>	<u>\$ 205,320</u>	<u>\$ 8,476</u>	<u>\$ 158,793</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total liabilities	-	-	-	-
<b>FUND BALANCES</b>				
Restricted:				
Federal and state grants	-	-	-	-
Legislation	205,320	8,476	158,793	-
Total fund balances	<u>205,320</u>	<u>8,476</u>	<u>158,793</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 205,320</u>	<u>\$ 8,476</u>	<u>\$ 158,793</u>	<u>\$ -</u>

429 Texas J Regional Advisory Council Fund	430 Texas J Regional Advisory Council Fund	432 Operation Linebacker Fund	433 Stonegarden 15/BP Fund	436 Federal Victims of Crime Act Fund	442 Stonegarden 14/BP Fund	443 High Intensity Drug Trafficking Area Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	7,033	12,485	10,627	4,175	-	6,070
<u>\$ -</u>	<u>\$ 7,033</u>	<u>\$ 12,485</u>	<u>\$ 10,627</u>	<u>\$ 4,175</u>	<u>\$ -</u>	<u>\$ 6,070</u>
\$ -	\$ -	\$ 4,346	\$ -	\$ -	\$ -	\$ 380
-	7,033	8,139	10,627	4,175	-	5,690
-	7,033	12,485	10,627	4,175	-	6,070
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 7,033</u>	<u>\$ 12,485</u>	<u>\$ 10,627</u>	<u>\$ 4,175</u>	<u>\$ -</u>	<u>\$ 6,070</u>

**Pecos County, Texas**  
Special Revenue Funds  
Combining Balance Sheet – Continued  
December 31, 2016

	446	447	448	500
	CDBG Contract #7214125 Fund	CDBG Contract #7216369 Fund	LBSP/16 Fund	County Attorney Hot Check Fund
<b>ASSETS</b>				
Cash	\$ -	\$ -	\$ -	\$ 14,599
Receivables, net of allowance				
Other	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,599</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ 16,600	\$ -	\$ 3,960
Due to other funds	-	-	-	-
Total liabilities	-	16,600	-	3,960
<b>FUND BALANCES</b>				
Restricted:				
Federal and state grants	-	(16,600)	-	-
Legislation	-	-	-	10,639
Total fund balances	-	(16,600)	-	10,639
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,599</u>

505 County Attorney Pre-Trial Intervention Fund	510 Sheriff Discretionary Fund	511 Forfeiture Shared Revenue Fund	530 83rd District Attorney Hot Check Funds	540 83rd District Attorney Drug Forfeiture Fund	560 112th District Attorney Discretionary Fund	561 112th District Attorney Hot Check Fund	Total
\$ 134,885	\$ 28,928	\$ 152,550	\$ 23,729	\$ 44,209	\$ 21,969	\$ 205	\$ 1,571,010
990	163	-	-	-	-	-	42,371
<u>\$ 135,875</u>	<u>\$ 29,091</u>	<u>\$ 152,550</u>	<u>\$ 23,729</u>	<u>\$ 44,209</u>	<u>\$ 21,969</u>	<u>\$ 205</u>	<u>\$ 1,613,381</u>
\$ 4,425	\$ -	\$ 1,541	\$ -	\$ 1,294	\$ -	\$ -	\$ 43,163
-	-	-	-	-	-	-	36,880
4,425	-	1,541	-	1,294	-	-	80,043
-	-	-	-	-	-	-	334,620
131,450	29,091	151,009	23,729	42,915	21,969	205	1,198,718
131,450	29,091	151,009	23,729	42,915	21,969	205	1,533,338
<u>\$ 135,875</u>	<u>\$ 29,091</u>	<u>\$ 152,550</u>	<u>\$ 23,729</u>	<u>\$ 44,209</u>	<u>\$ 21,969</u>	<u>\$ 205</u>	<u>\$ 1,613,381</u>

**Pecos County, Texas**  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance  
For the Fiscal Year Ended December 31, 2016

	250	251	255 256	265
	Juvenile Probation Fees	Title IV-E Fund	Juvenile Probation TJPC A-R	Basic Supervision
<b>REVENUES</b>				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	143,128	193,029
Charges for services	1,595	-	-	449,156
Interest	-	310	-	1,542
Other	-	-	-	12,144
Total revenues	1,595	310	143,128	655,871
<b>EXPENDITURES</b>				
Judicial	-	-	-	-
Law enforcement	-	-	-	-
Corrections	-	1,600	142,690	625,846
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	1,600	142,690	625,846
Excess (deficiency) of revenues over (under) expenditures	1,595	(1,290)	438	30,025
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(10,964)
Total other financing sources (uses)	-	-	-	(10,964)
Net change in fund balances	1,595	(1,290)	438	19,061
Fund balances - beginning of year	20,101	45,367	20,877	120,494
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 21,696</b>	<b>\$ 44,077</b>	<b>\$ 21,315</b>	<b>\$ 139,555</b>

266	267	270	280	281	283	284	285
Community Corrections Program	Intensive Supervision	Adult Probation Fees	County Records Management	County Clerk Records Management	Court Record Preservation Fund	District Court Record Technology Fund	JP Technology Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
86,451	410,569	-	-	-	-	-	-
-	-	2,069	3,791	71,994	3,164	3,552	14,462
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
86,451	410,569	2,069	3,791	71,994	3,164	3,552	14,462
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
91,631	393,608	-	1,315	-	-	-	6,562
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
91,631	393,608	-	1,315	-	-	-	6,562
(5,180)	16,961	2,069	2,476	71,994	3,164	3,552	7,900
-	13,964	-	-	-	-	-	-
(3,000)	-	-	-	-	-	-	-
(3,000)	13,964	-	-	-	-	-	-
(8,180)	30,925	2,069	2,476	71,994	3,164	3,552	7,900
31,791	91,737	10,012	57,473	169,885	13,342	10,955	40,604
\$ 23,611	\$ 122,662	\$ 12,081	\$ 59,949	\$ 241,879	\$ 16,506	\$ 14,507	\$ 48,504

**Pecos County, Texas**  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance – Continued  
For the Fiscal Year Ended December 31, 2016

	286	287	370	410
	County Clerk Archival Fund	County Clerk Vital Statistics Fund	Courthouse Security Fund	Law Enforcement Grant Fund
<b>REVENUES</b>				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	18,831
Charges for services	71,677	1,389	23,567	-
Interest	-	-	-	-
Other	-	-	-	-
Total revenues	<u>71,677</u>	<u>1,389</u>	<u>23,567</u>	<u>18,831</u>
<b>EXPENDITURES</b>				
Judicial	-	-	-	-
Law enforcement	-	-	-	18,831
Corrections	-	-	28,448	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>28,448</u>	<u>18,831</u>
Excess (deficiency) of revenues over (under) expenditures	71,677	1,389	(4,881)	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	71,677	1,389	(4,881)	-
Fund balances - beginning of year	<u>133,643</u>	<u>7,087</u>	<u>163,674</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 205,320</u>	<u>\$ 8,476</u>	<u>\$ 158,793</u>	<u>\$ -</u>

429 Texas J Regional Advisory Council Grant	430 Texas J Regional Advisory Council Grant	432 Operation Linebacker Fund	433 Border Prosecution Fund	436 Federal Victims of Crime Act Fund	442 Local Border Security LBSP - 13 Fund	443 High Intensity Drug Trafficking Area Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
19,805	7,033	34,490	92,025	62,344	42,454	82,582
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
19,805	7,033	34,490	92,025	62,344	42,454	82,582
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	34,490	92,025	-	-	-
13,363	7,033	-	-	-	-	-
-	-	-	-	62,344	42,454	82,582
6,442	-	-	-	-	-	-
19,805	7,033	34,490	92,025	62,344	42,454	82,582
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Pecos County, Texas**  
Special Revenue Funds  
Combining Statement of Revenues, Expenditures and  
Changes in Fund Balance – Continued  
For the Fiscal Year Ended December 31, 2016

	446	447	448	500
	TDHCA Contract #1001407 Fund	CDBG Contract #711361 Fund	TDHCA Contract #1001407 Fund	County Attorney Hot Check Fund
<b>REVENUES</b>				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Intergovernmental	83,632	-	53,694	-
Charges for services	-	-	-	2,022
Interest	-	-	-	-
Other	-	-	-	-
Total revenues	<u>83,632</u>	<u>-</u>	<u>53,694</u>	<u>2,022</u>
<b>EXPENDITURES</b>				
Judicial	-	-	-	1,326
Law enforcement	-	-	-	-
Corrections	-	-	-	-
Health and welfare	-	16,600	-	-
Public service	83,632	-	53,694	-
Capital outlay	-	-	-	-
Total expenditures	<u>83,632</u>	<u>16,600</u>	<u>53,694</u>	<u>1,326</u>
Excess (deficiency) of revenues over (under) expenditures	-	(16,600)	-	696
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(16,600)	-	696
Fund balances - beginning of year	-	-	-	9,943
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ (16,600)</u>	<u>\$ -</u>	<u>\$ 10,639</u>

505 County Attorney Pre-Trial Intervention Fund	510 Sheriff's Discretionary Fund	511 Forfeiture Shared Revenue Fund	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
\$ -	\$ 7,279	\$ 71,668	\$ -	\$ 1,340	\$ 3,574	\$ -	\$ 83,861
-	4,398	-	-	-	-	-	1,334,465
100,121	-	-	622	-	-	4	749,185
-	-	-	171	325	148	-	2,496
-	-	-	-	-	-	-	12,144
100,121	11,677	71,668	793	1,665	3,722	4	2,182,151
112,238	-	-	-	1,398	-	420	115,382
-	-	-	-	-	-	-	18,831
-	-	-	-	-	-	-	1,418,215
-	-	-	-	-	-	-	36,996
-	-	47,780	-	-	-	-	372,486
-	-	18,767	-	-	-	-	25,209
112,238	-	66,547	-	1,398	-	420	1,987,119
(12,117)	11,677	5,121	793	267	3,722	(416)	195,032
-	-	-	-	-	-	-	13,964
-	-	-	-	-	-	-	(13,964)
-	-	-	-	-	-	-	-
(12,117)	11,677	5,121	793	267	3,722	(416)	195,032
143,567	17,414	145,888	22,936	42,648	18,247	621	1,338,306
\$ 131,450	\$ 29,091	\$ 151,009	\$ 23,729	\$ 42,915	\$ 21,969	\$ 205	\$ 1,533,338

**Pecos County, Texas**  
 Agency Funds  
 Combining Statement of Fiduciary Assets and Liabilities  
 December 31, 2016

	Pecos County Golf Course	Bond Fund	Permian Basin Adult Probation	Juvenile Probation	District Clerk Fee Account	District Clerk Trust Fund	Tax Assessor Collector
<b>ASSETS</b>							
Cash	\$ 12,051	\$ 66,983	\$ 55,818	\$ 190	\$ 12,341	\$ 710,662	\$ 1,423,538
<b>TOTAL ASSETS</b>	<u>\$ 12,051</u>	<u>\$ 66,983</u>	<u>\$ 55,818</u>	<u>\$ 190</u>	<u>\$ 12,341</u>	<u>\$ 710,662</u>	<u>\$ 1,423,538</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governments	12,051	-	36,545	-	12,341	-	1,423,538
Due to beneficiaries	-	66,983	19,273	190	-	710,662	-
<b>TOTAL LIABILITIES</b>	<u>\$ 12,051</u>	<u>\$ 66,983</u>	<u>\$ 55,818</u>	<u>\$ 190</u>	<u>\$ 12,341</u>	<u>\$ 710,662</u>	<u>\$ 1,423,538</u>

Edward Petsch Arts Fund	Sheriff's Bond Account	Jail Commissary Account	Trish King Bond Account	County Clerk	Justice of the Peace # 3	Justice of the Peace # 6	Total
\$ 242,197	\$ 73,608	\$ 8,197	\$ 52,143	\$ 3,081	\$ 2,737	\$ 1,278	\$ 2,664,824
\$ 242,197	\$ 73,608	\$ 8,197	\$ 52,143	\$ 3,081	\$ 2,737	\$ 1,278	\$ 2,664,824
\$ -	\$ -	\$ 8,197	\$ -	\$ 3,081	\$ 2,737	\$ 1,278	\$ 15,293
-	-	-	-	-	-	-	1,484,475
242,197	73,608	-	52,143	-	-	-	1,165,056
\$ 242,197	\$ 73,608	\$ 8,197	\$ 52,143	\$ 3,081	\$ 2,737	\$ 1,278	\$ 2,664,824

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# Internal Control and Compliance Report

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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

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, 2016, and the related notes to the financial statements which collectively comprise the County's basic financial statements and have issued our report thereon dated August 14, 2017. 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.

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 deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

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

### **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 under Government Auditing Standards; however, we did identify an other matter regarding the allegation of a commissioner using County property for personal use. The other matter identified is currently under investigation.

### **Response to Finding**

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subject to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion of it.

### **Purpose of this Report**

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

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

WEAVER AND TIDWELL, L.L.P.

Midland, Texas  
August 14, 2017

## Pecos County, Texas

Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended September 30, 2016

### Current Year Financial Reporting Finding

#### 2016-001 Misappropriation of Cash – Significant Deficiency

Criteria: The County should deposit and account for all collected fees for vehicle title transfers and County management should timely review the collections, deposits, and related accounting to safeguard against misappropriation of cash.

Condition: The County's Department of Motor Vehicles Clerk at the County's tax office did not deposit all collections for fees related to vehicle title transfers which is based on the value of the vehicle. The Texas Department of Transportation (TXDOT) discovered the fraud by noticing an abnormal of voided receipts for fees from vehicle title transfers. The County tax office clerk would lower the fees from vehicle title transfers by voiding the original receipt and lowering the value of the vehicle. The County tax office clerk would take the difference between the original receipt and the lower fees for vehicle title transfers, and only account for the lower fee.

Cause: County management did not timely review the voids of receipts for fees.

Effect: Cash and vehicle title transfer fees could be materially incorrect.

Recommendation: The County should deposit and account for all fees related to vehicle title transfers. County management should timely review voids of all fees.

Corrective Action: Management concurs with the recommendation. The County will implement a policy for the County Tax Assessor/Collected to review and approve all voids of fee collections that the clerks create weekly. The County auditor will also review the deposits, the voids for approval, and accounting monthly.

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