

**WOOD COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2015**



# WOOD COUNTY, TEXAS

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## **FINANCIAL SECTION**

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

## INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and  
Commissioners' Court  
Wood County, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County, Texas (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note I to the financial statements, in 2015 the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—General Fund, the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual—Road and Bridge Fund, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Employer Contributions and the Schedule of Funding Progress for Post-retirement Health Care Benefit Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Waco, Texas  
June 24, 2016

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Wood County, Texas, we offer readers of Wood County financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

### FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$28,901,659.
- Of this amount, \$17,069,548 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$21,089,577. Of this amount, \$15,460,039 is available for spending at the County's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$15,460,039 or 116% of total General Fund annual expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The 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.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

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 County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the full accrual basis of accounting.

**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 two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County'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 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Road and Bridge Fund, which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund and Road and Bridge Fund, as well as many other funds. Budgetary comparison schedules have been provided for the General Fund and the Road and Bridge Fund to demonstrate compliance with the budget.

**Agency funds.** Agency funds are used to report resources held by the County in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Since the agency funds are fiduciary funds, these funds are not reported in the government-wide financial statements.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the financial section.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### STATEMENT OF NET POSITION

	2015	2014
Current assets	\$ 24,182,358	\$ 21,704,466
Capital assets	<u>7,056,046</u>	<u>7,610,459</u>
Total assets	<u>31,238,404</u>	<u>29,314,925</u>
Deferred outflows of resources	<u>1,152,784</u>	<u>-</u>
Current liabilities	1,148,965	1,366,548
Noncurrent liabilities	<u>2,279,576</u>	<u>1,181,447</u>
Total liabilities	<u>3,428,541</u>	<u>2,547,995</u>
Deferred inflows of resources	<u>60,988</u>	<u>-</u>
Net position:		
Net investment in capital assets	7,056,046	7,610,459
Restricted	4,776,065	3,912,191
Unrestricted	<u>17,069,548</u>	<u>15,244,280</u>
Total net position	<u>\$ 28,901,659</u>	<u>\$ 26,766,930</u>

Net position serves as a useful indicator of a government's financial position. In the case of the County, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$28,901,659 as of September 30, 2015, an increase of \$2,134,729 as compared to the previous fiscal year. Unrestricted net position makes up 59% of the County's net position for the current fiscal year, which may be used to meet the County's ongoing obligations to citizens and creditors. Net investment in capital assets (e.g. land, construction in progress, infrastructure, buildings and improvements, and equipment less any related debt used to acquire those assets that is still outstanding) was \$7,056,046 or 24% of total net position. The County uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending. Restricted net position was \$4,776,065 or 17% of total net position.

## ANALYSIS OF REVENUES AND EXPENSES

	<u>2015</u>	<u>2014</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,490,349	\$ 3,567,596
Operating grants and contributions	440,242	667,093
General revenues:		
Taxes	17,350,729	16,855,701
Investment earnings	127,214	104,817
Miscellaneous	48,537	90,566
Gain on sale of capital assets	<u>172,533</u>	<u>45,302</u>
Total revenues	<u>21,629,604</u>	<u>21,331,075</u>
Expenses:		
General government	4,331,276	4,691,727
Community services	1,034,484	866,610
Judicial	2,562,565	2,540,269
Public safety	6,052,377	6,197,720
Public transportation	<u>5,254,127</u>	<u>4,984,948</u>
Total expenses	<u>19,234,829</u>	<u>19,281,274</u>
Change in net position	2,394,775	2,049,801
Net position, beginning	<u>26,766,930</u>	<u>24,050,045</u>
Prior period adjustment	<u>( 260,046)</u>	<u>667,084</u>
Net position, ending	<u>\$ 28,901,659</u>	<u>\$ 26,766,930</u>

Revenue increased from the prior year by \$298,529 (1%). This was primarily the result of an increase in tax revenues, \$195,000 in ad valorem tax revenues and \$119,000 in sales tax revenue.

Expenditures reflect a slight decrease of \$46,455 from the prior year. This was the result of a decrease in general government of \$449,000 due to prior year purchases of election equipment and professional services related to a new courts and justice software system. This decrease was offset by increases in community services and public transportation. The increase in community services is the result of Texas Community Development Block Grant projects of \$198,000 that had no expenditures in the prior year. The public transportation increase in expenditures is due to \$209,000 for materials related to road repairs and maintenance.



## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$21,089,577. \$15,460,039 of this amount constitutes unassigned fund balance. \$212,196 is classified as nonspendable for the payment of prepaid items.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, 99% of the General Fund fund balance (\$15,460,039) was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned General Fund fund balance and total General Fund expenditures. Unassigned fund balance represents 116% of total General Fund expenditures.

The General Fund fund balance increased by \$1,938,282 (14%) during the current fiscal year.

The Road and Bridge Fund had an ending fund balance of \$3,284,326, an increase of 22% from the prior year.

## BUDGETARY HIGHLIGHTS

### General Fund Budgetary Highlights

The actual revenues for the year were \$15,203,692, which is \$672,097 above the budgeted amount of \$14,531,595. The actual expenditures for the year were \$13,321,747, which is \$1,027,177 lower than the budgeted amount of \$14,348,924. The net effect of over-realization of revenue and under-utilization of appropriations resulted in a positive variance of \$1,699,274.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital assets.** The investment in capital assets for the County as of September 30, 2015, amounted to \$7,056,046 (net of accumulated depreciation).

### WOOD COUNTY, TEXAS' CAPITAL ASSETS AT YEAR-END

	2015	2014
Land	\$ 2,171,266	\$ 2,171,266
Infrastructure	60,554	60,554
Buildings and improvements	9,337,157	9,337,157
Equipment	9,936,816	9,806,822
Less: accumulated depreciation	( 14,449,747)	( 13,765,340)
Total capital assets	\$ <u>7,056,046</u>	\$ <u>7,610,459</u>

Major capital asset additions during the current fiscal year included the following:

- The purchase of a Motor Grader, Loader Backhoe, and various equipment in the Road & Bridge Precincts for \$565,539.
- The purchase of vehicles and various equipment in the Sheriff's department for \$231,964.

Additional information on capital assets can be found in Note III – B on page 26 of this report.

## OUTSTANDING DEBT AT YEAR-END

	2015	2014
Net OPEB obligation	\$ 835,309	\$ 636,896
Compensated absences	520,292	426,628
Net pension liability	<u>923,975</u>	<u>1,162,012</u>
Total	<u>\$ 2,279,576</u>	<u>\$ 2,225,536</u>

Additional information on long-term debt can be found in Note III – C on page 27 of this report.

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

The County's elected and appointed officials considered many factors when the County prepared and approved the 2016 budget, tax rates and fees. The resulting budget reflected these considerations. Rising costs of road materials, County facilities repairs and maintenance, and replacing aging law enforcement vehicles were some of the major considerations for this budget year. The growth in population continues throughout the County which stimulates local business, tourism and development activities but also increases the services to be provided by the County.

In preparation of the fiscal year 2016 budget, the County increased the ad valorem tax rate to the effective tax rate of \$0.5461 per \$100 assessed valuation. The overall property valuation (excluding tax cap properties) decreased to \$2,477,603,058, reflecting a decrease of \$221,843,543 or 8.22% from the prior year. The decrease was primarily due to the decrease in appraised values of mineral properties. Fiscal year 2016 budgeted expenditures increased \$306,368 or 1.56% over fiscal year 2015 budgeted expenditures.

Because of the increase in other revenue, the County was able to maintain the current ad valorem tax revenue while still addressing departmental needs. The 2016 budget included increases for utilities and repairs and maintenance related to county facilities, funding for new election equipment, and funding for new law enforcement vehicles.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the County's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor, Wood County, P.O. Box 389, Quitman, Texas 75783.

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# **BASIC FINANCIAL STATEMENTS**

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**WOOD COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2015**

	Governmental Activities
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 21,588,497
Taxes receivable	1,271,515
Accounts receivable	1,084,487
Due from other governments	25,663
Prepaid items	212,196
Total current assets	<u>24,182,358</u>
Noncurrent assets:	
Capital assets:	
Land	2,171,266
Infrastructure	60,554
Buildings and improvements	9,337,157
Equipment	9,936,816
Less: accumulated depreciation	<u>( 14,449,747)</u>
Total capital assets	<u>7,056,046</u>
Total noncurrent assets	<u>7,056,046</u>
Total assets	<u>31,238,404</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>1,152,784</u>
Total deferred outflows of resources	<u>1,152,784</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	478,432
Accrued liabilities	289,346
Health claims payable	295,456
Due to other governments	3,598
Unearned revenue	72,865
Due to unclaimed property owners	9,268
Total current liabilities	<u>1,148,965</u>
Noncurrent liabilities:	
Due within one year	104,058
Due in more than one year	<u>2,175,518</u>
Total noncurrent liabilities	<u>2,279,576</u>
Total liabilities	<u>3,428,541</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>60,988</u>
Total deferred inflows of resources	<u>60,988</u>
<b>NET POSITION</b>	
Net investment in capital assets	7,056,046
Restricted	4,776,065
Unrestricted	<u>17,069,548</u>
Total net position	<u>\$ 28,901,659</u>

**The notes to the financial statements are an integral part of this statement.**

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**WOOD COUNTY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
General government	\$ 4,331,276	\$ 1,846,258	\$ 43,913	\$( 2,441,105)
Community services	1,034,484	163,876	198,380	( 672,228)
Judicial	2,562,565	475,784	40,618	( 2,046,163)
Public safety	6,052,377	125,908	-	( 5,926,469)
Public transportation	<u>5,254,127</u>	<u>878,523</u>	<u>157,331</u>	<u>( 4,218,273)</u>
Total governmental activities	<u>\$ 19,234,829</u>	<u>\$ 3,490,349</u>	<u>\$ 440,242</u>	<u>( 15,304,238)</u>
General revenues:				
Taxes				17,350,729
Investment earnings				127,214
Miscellaneous				48,537
Gain on sale of capital assets				<u>172,533</u>
Total general revenues				<u>17,699,013</u>
Change in net position				2,394,775
Net position, beginning				26,766,930
Prior period adjustment				<u>( 260,046)</u>
Net position, beginning, as restated				<u>26,506,884</u>
Net position, ending				<u>\$ 28,901,659</u>

**The notes to the financial statements are an integral part of this statement.**

**WOOD COUNTY, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2015**

	General	Road and Bridge	Other Governmental Funds	Total
<b>ASSETS</b>				
Cash and investments	\$ 15,873,021	\$ 3,528,414	\$ 2,187,062	\$ 21,588,497
Taxes receivable	1,030,451	223,776	17,288	1,271,515
Accounts receivable	1,084,487	-	-	1,084,487
Due from other governments	22,175	-	3,488	25,663
Prepaid items	<u>176,002</u>	<u>30,742</u>	<u>5,452</u>	<u>212,196</u>
Total assets	<u>\$ 18,186,136</u>	<u>\$ 3,782,932</u>	<u>\$ 2,213,290</u>	<u>\$ 24,182,358</u>
<b>LIABILITIES</b>				
Liabilities:				
Accounts payable	\$ 301,185	\$ 155,257	\$ 21,990	\$ 478,432
Accrued liabilities	222,358	62,185	4,803	289,346
Health claims payable	295,456	-	-	295,456
Unearned revenue	-	72,865	-	72,865
Due to other governments	3,598	-	-	3,598
Due to unclaimed property owners	<u>9,268</u>	<u>-</u>	<u>-</u>	<u>9,268</u>
Total liabilities	<u>831,865</u>	<u>290,307</u>	<u>26,793</u>	<u>1,148,965</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue: property taxes	688,604	208,299	17,287	914,190
Unavailable revenue: court fines	<u>1,029,626</u>	<u>-</u>	<u>-</u>	<u>1,029,626</u>
Total deferred inflows of resources	<u>1,718,230</u>	<u>208,299</u>	<u>17,287</u>	<u>1,943,816</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepaid items	176,002	30,742	5,452	212,196
Restricted:				
Public transportation	-	3,253,584	-	3,253,584
Debt service	-	-	57,482	57,482
Public safety	-	-	27,479	27,479
Judicial	-	-	135,969	135,969
Records preservation	-	-	889,891	889,891
Technology improvements	-	-	113,282	113,282
Economic development	-	-	72,792	72,792
Committed:				
Property acquisitions	-	-	806,702	806,702
Improvements	-	-	60,161	60,161
Unassigned	<u>15,460,039</u>	<u>-</u>	<u>-</u>	<u>15,460,039</u>
Total fund balances	<u>15,636,041</u>	<u>3,284,326</u>	<u>2,169,210</u>	<u>21,089,577</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,186,136</u>	<u>\$ 3,782,932</u>	<u>\$ 2,213,290</u>	<u>\$ 24,182,358</u>

**The notes to the financial statements are an integral part of this statement.**

## WOOD COUNTY, TEXAS

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - total governmental funds	\$ 21,089,577
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,056,046
A portion of property taxes, court fines receivable and grants are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.	1,943,816
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Long-term liabilities:	
Compensated absences	( 520,292)
Net OPEB obligation	( 835,309)
Net pension liability	( 923,975)
Included in the items related to long-term liabilities is the recognition of a deferred outflow of resources and a deferred inflow of resources related to the TCDRS net pension liability.	
Deferred outflows of resources:	
Pension related deferred outflows of resources	1,152,784
Deferred inflows of resources:	
Pension related deferred inflows of resources	( 60,988)
Net position of governmental activities	\$ <u>28,901,659</u>

The notes to the financial statements are an integral part of this statement.

# WOOD COUNTY, TEXAS

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### GOVERNMENTAL FUNDS

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	General	Road and Bridge	Other Governmental Funds	Total
<b>REVENUES</b>				
Taxes	\$ 13,127,479	\$ 4,249,031	\$ 103,017	\$ 17,479,527
Charges for services	1,311,059	509,308	417,898	2,238,265
Intergovernmental	486,877	-	211,905	698,782
Fines and forfeitures	-	344,827	16,062	360,889
Investment income	116,710	-	10,688	127,398
Motor vehicle registration	-	362,000	-	362,000
Other	161,567	157,331	110	319,008
Total revenues	<u>15,203,692</u>	<u>5,622,497</u>	<u>759,680</u>	<u>21,585,869</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,016,223	-	206,006	4,222,229
Public safety	5,737,536	-	41,911	5,779,447
Public transportation	-	4,795,449	-	4,795,449
Judicial	2,510,438	-	86,652	2,597,090
Community services	825,586	-	198,380	1,023,966
Capital outlay	231,964	565,539	-	797,503
Total expenditures	<u>13,321,747</u>	<u>5,360,988</u>	<u>532,949</u>	<u>19,215,684</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,881,945</u>	<u>261,509</u>	<u>226,731</u>	<u>2,370,185</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	56,337	324,639	-	380,976
Total other financing sources	<u>56,337</u>	<u>324,639</u>	<u>-</u>	<u>380,976</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,938,282	586,148	226,731	2,751,161
<b>FUND BALANCES, BEGINNING</b>	<u>13,697,759</u>	<u>2,698,178</u>	<u>1,942,479</u>	<u>18,338,416</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 15,636,041</u>	<u>\$ 3,284,326</u>	<u>\$ 2,169,210</u>	<u>\$ 21,089,577</u>

**The notes to the financial statements are an integral part of this statement.**

## WOOD COUNTY, TEXAS

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

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

Net change in fund balances - total governmental funds	\$ 2,751,161
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 of capital outlay reported in the current period.	797,503
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as an expenditure in the governmental funds.	( 1,143,473)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) decreased net position.	( 208,443)
The change in property taxes, court fines and road damages unavailable revenue is reported in the statement of activities, however, this change does not provide current financial resources and is therefore not reported as revenues in the funds.	( 55,686)
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.	
Compensated absences liability	( 70,311)
Net OPEB obligation	( 103,843)
Net pension liability	<u>427,867</u>
Change in net position of governmental activities	\$ <u>2,394,775</u>

**The notes to the financial statements are an integral part of this statement.**

**WOOD COUNTY, TEXAS**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2015**

**ASSETS**

Cash and investments	\$ 3,419,934
Due from state	<u>4,546</u>
Total assets	<u>\$ 3,424,480</u>

**LIABILITIES**

Due to other governments	\$ 2,128,748
Due to beneficiaries	<u>1,295,732</u>
Total liabilities	<u>\$ 3,424,480</u>

**The notes to the financial statements are an integral part of this statement.**

# **WOOD COUNTY, TEXAS**

## **NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2015**

### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to the accounting principles generally accepted in the United State of America applicable to state and local governments. Account principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in Governmental Accounting and Financial Reporting Standards. The most significant accounting and reporting policies of Wood County, Texas (“the County”) are described in the following notes to the financial statements.

#### **A. Reporting Entity**

A financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the elected officials of the County are financially accountable, or the relationship to the County is such that an exclusion would cause the County’s financial statements to be misleading or incomplete.

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discretely presented component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly.

The County was incorporated under the provisions of the State of Texas in 1850. The County operates under a commission form of government under the laws and statutes of the constitution of the State of Texas. The County provides various services to advance the welfare, health, morals, comfort, safety, and convenience of the County and its inhabitants.

#### **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the County. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes, fines and fees, grants and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. The combined amounts for nonmajor governmental funds are reflected in a single column in the fund balance sheet and statement of revenues, expenditures, and changes in fund balances. Detailed statements for nonmajor funds are presented within combining fund statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, grants, fines and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The County reports the following major governmental funds:

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

The ***Road and Bridge Fund*** is a Special Revenue Fund used to account for revenue derived from ad valorem taxes, vehicle registration fees and rebates from the State of Texas. Expenditures are for maintenance and construction of County roads and bridges.



Additionally, the County reports the following fund type:

*Agency Funds* are used to account for assets held by the County in an agency capacity for individuals, private organizations and other governments.

**D. Assets, Liabilities, Deferred Outflow/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Investments**

The County pools cash resources of some funds and invests these funds jointly. Each fund owns a pro rata share of the cash and investments. The County is entitled to invest in obligations of the United States, the State of Texas, and certificates of deposit of state or national banks or savings and loan associations within the State. All investments are stated at fair value.

Investment earnings are allocated to the respective funds based on the cash balances outstanding at the end of each month.

**2. Receivables and Payables**

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

Advances between funds, as reported in the fund financial statements, are considered nonspendable in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Ad valorem property taxes attach as enforceable liens as of January 1. Taxes are levied prior to September 30, payable on October 1, and are delinquent on February 1. The majority of the County's property tax collections occur during December and early January each year.

**3. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Infrastructure	10 - 50
Buildings and improvements	15 - 40
Vehicles	3 - 10
Machinery and equipment	3 - 7

4. Federal and State Grants

Revenue from federal and state grants is recognized on the basis of actual expenditures incurred, limited to the amount of the total grant award.

5. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, compensatory time or overtime leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the County and its employees are accrued at year-end in the government-wide financial statements as the employees have earned the rights to these benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the County and its employees are accounted for in the period in which such services are rendered or such events take place.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## 7. Pensions

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

## 8. Fund Balance Classification

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

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

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

9. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets 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.

10. Deferred Outflows/Inflows of Resources

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

- Pension contributions after the measurement date – These contributions are deferred and recognized in the following fiscal year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a five year period.

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

- Unavailable revenue – The governmental funds report unavailable revenues from two sources: property taxes and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Differences between expected and actual experience on plan investments - This difference is deferred and amortized over a five year period.

## 11. Use of Estimates

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

## 12. Prior Period Adjustment

GASB has issued Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27," which became effective for fiscal year 2015. This statement changes the focus of pension accounting for employers from whether they are responsibly funding their plan over time to a point-in-time liability that is reflected in the employer's financial statements for any actuarially unfunded portion of pension benefits earned to date.

The implementation of Statement No. 68 resulted restatement of beginning net position for the recording of the beginning net pension liability in the amount of \$1,162,012, and the beginning deferred outflow for contributions made after the measurement date in the amount of \$901,966. These items cumulatively resulted in a restatement of governmental activities net position in the amount of \$260,046.

## II. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

As of September 30, 2015, the County had the following investments carried at fair value:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity/Weighted Average Maturity (Days)</u>
Insured cash sweep accounts	\$ 5,704,243	1
TexPool	537,957	40
Certificates of deposit	4,454,674	91
Certificates of deposit	2,781,565	182
Certificates of deposit	6,067,573	365
Certificates of deposit	<u>2,322,706</u>	910
Total fair value of investments	\$ <u><u>21,868,718</u></u>	241

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) yield, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) bid solicitation preferences for certificates of deposit, (10) investment strategy, (11) appointment, role, and training of the County investment officer, and (12) standard of care. Statutes authorize the County to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, the State of Texas, and certain municipal securities; (2) certificates of deposit and share certificates, (3) certain securities lending programs, (4) repurchase agreements, (5) bankers' acceptances, (6) mutual funds, (7) investment pools, (8) guaranteed investment contracts, (9) common trust funds, and (10) commercial paper as allowed by the State. Local policy narrows the statewide authorization into County allowed investments. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

The County's selected investment pool, TexPool, is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pool seeks to maintain a \$1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U. S. Government securities, repurchase agreements collateralized by U. S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAM by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pool cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. TexPool's fee is 0.0473% annually. Interest is accrued daily and paid monthly. TexPool is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

The certificates of deposit were invested as County authorized investments issued by an institution with its main office or a branch in this state and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; secured by obligations as allowed by law; or secured in any other manner and amount provided by law for deposits of the County.

In fiscal year 2013, Commissioners Court approved updates to the investment policy to provide for CD investments to include CDARS (The Certificate of Deposit Account Registry Service) deposits whereby the depository institution arranges for the deposit of funds in certificates of deposit in one or more federally insured depository institution, wherever located, for the County's account rather than having the majority of CD investments secured by collateral provided by the local institution.

***Interest Rate Risk.*** In accordance with its investment policy, the County manages its exposure to declines in fair market values by limiting the average dollar weighted maturity of its investment portfolios to a maximum of one year. This term is subject to changes based on the annual review of the investment policy or other Commissioners Court action.

***Custodial Credit Risk.*** In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations, direct obligations of Texas, counties, municipalities, independent school districts or other instrumentalities allowed under LGC 116.054 but not listed here that have a fair value of not less than the principal amount of deposits. As of September 30, 2015, the County's deposit balance was entirely collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

***Credit Risk.*** It is the County's policy and strategy to emphasize safety of principal and liquidity over yield by proper diversification, proper monitoring, and clear transparency. The County's policy has limited authorized investments to not all that are authorized by the statutes.

## **B. Capital Assets**

Capital asset activity of the County for the year ended September 30, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,171,266	\$ -	\$ -	\$ 2,171,266
Total assets not being depreciated	<u>2,171,266</u>	<u>-</u>	<u>-</u>	<u>2,171,266</u>
Capital assets, being depreciated:				
Infrastructure	60,554	-	-	60,554
Buildings and improvements	9,337,157	-	-	9,337,157
Equipment	<u>9,806,822</u>	<u>797,503</u>	<u>667,509</u>	<u>9,936,816</u>
Total capital assets being depreciated	<u>19,204,533</u>	<u>797,503</u>	<u>667,509</u>	<u>19,334,527</u>
Less accumulated depreciation:				
Infrastructure	17,297	2,017	-	19,314
Buildings and improvements	7,117,691	262,659	-	7,380,350
Equipment	<u>6,630,352</u>	<u>878,797</u>	<u>459,066</u>	<u>7,050,083</u>
Total accumulated depreciation	<u>13,765,340</u>	<u>1,143,473</u>	<u>459,066</u>	<u>14,449,747</u>
Total capital assets being depreciated, net	<u>5,439,193</u>	<u>( 345,970)</u>	<u>208,443</u>	<u>4,884,780</u>
Governmental activities capital assets, net	<u>\$ 7,610,459</u>	<u>\$ ( 345,970)</u>	<u>\$ 208,443</u>	<u>\$ 7,056,046</u>

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

Governmental activities:	
General government	\$ 153,685
Judicial	5,691
Community services	13,536
Public safety	462,468
Public transportation	<u>508,093</u>
Total depreciation expense - governmental activities	<u>\$ 1,143,473</u>

### C. Long-term Liabilities

The following is a summary of the long-term liability activity of the County for the year ended September 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Government activities</b>					
Compensated absences	\$ 449,981	\$ 296,220	\$ 225,909	\$ 520,292	\$ 104,058
Net OPEB obligation	731,466	191,987	88,144	835,309	-
Net pension liability	<u>1,162,012</u>	<u>3,614,397</u>	<u>3,852,434</u>	<u>923,975</u>	<u>-</u>
Governmental activities					
long-term liabilities	<u>\$ 2,343,459</u>	<u>\$ 4,102,604</u>	<u>\$ 4,166,487</u>	<u>\$ 2,279,576</u>	<u>\$ 104,058</u>

## III. OTHER INFORMATION

### A. Defined Benefit Pension Plan

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

All eligible employees of the County are required to participate in TCERS.

**Benefits Provided.** TCERS provides retirement, disability and death benefits for all of its fulltime employees. Benefit provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCERS.

Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.



Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

***Employees covered by benefit terms***

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	230
Inactive employees entitled to but not yet receiving benefits	141
Active employees	<u>204</u>
	<u><u>575</u></u>

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

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 13.00% and 13.00% in calendar years 2014 and 2015, respectively. The County's contributions to TCDRS for the year ended September 30, 2015, were \$1,050,128, and were equal to the required contributions.

**Net Pension Liability.** The County's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

### ***Actuarial Assumptions***

The Total Pension Liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	8.1%, net of pension plan investment expense, including inflation
Mortality rates for active members, retirees, and beneficiaries were based on the following:	

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

The actuarial assumptions that determined the total pension liability as of December 31, 2014, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except where required to be different by GASB 68.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2015 information for a 7 to 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

<b>Asset Class</b>	<b>Benchmark</b>	<b>Target Allocation <sup>(1)</sup></b>	<b>Geometric Real Rate of Return (Expected minus Inflation) <sup>(2)</sup></b>
US Equities	Dow Jones U.S. Total Stock Market Index	16.50%	5.35%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities - Developed	50% MSCI World Ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities - Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.15%

<sup>(1)</sup> Target asset allocation adopted at the April 2015 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return in addition to assumed inflation of 1.7% per Cliffwater's 2015 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

## ***Discount Rate***

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

## ***Changes in the Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2013	\$ 31,392,153	\$ 30,230,141	\$ 1,162,012
Changes for the year:			
Service cost	1,074,024	-	1,074,024
Interest on total pension liability <sup>(1)</sup>	2,516,316	-	2,516,316
Effect of economic/demographic gains or losses	( 76,235)	-	( 76,235)
Refund of contributions	( 215,948)	( 215,948)	-
Benefit payments	( 1,524,094)	( 1,524,094)	-
Administrative expenses	-	( 24,057)	24,057
Member contributions	-	547,817	( 547,817)
Net investment income	-	2,066,392	( 2,066,392)
Employer contributions	-	1,126,360	( 1,126,360)
Other <sup>(2)</sup>	-	35,630	( 35,630)
Balance at 12/31/2014	<u>\$ 33,166,216</u>	<u>\$ 32,242,241</u>	<u>\$ 923,975</u>

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

<sup>(2)</sup> Relates to allocation of system-wide items.

## ***Sensitivity Analysis***

The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-higher (9.1%) than the current rate:

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$ 37,256,313	\$ 33,166,216	\$ 29,778,305
Fiduciary net position	<u>32,242,241</u>	<u>32,242,241</u>	<u>32,242,241</u>
Net pension liability/(asset)	<u>\$ 5,014,072</u>	<u>\$ 923,975</u>	<u>\$ (2,463,936)</u>

## ***Pension Plan Fiduciary Net Position***

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

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

For the year ended September 30, 2015, the County recognized pension expense of \$625,991.

At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 60,988	\$ -
Difference between projected and actual investment earnings	-	323,320
Contributions subsequent to the measurement date	-	829,464
Total	\$ <u>60,988</u>	\$ <u>1,152,784</u>

\$829,464 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30	
2016	\$ 65,583
2017	65,583
2018	65,583
2019	65,583
Thereafter	-

### **B. Employee Health Protection Plan**

The County adopted a self-funded Health Protection Plan effective October 1, 1988. The purpose of the plan is to pay medical claims of Wood County employees and their covered dependents. The plan is funded through contributions by the County for employee coverage and through payroll deductions for dependent coverage.

The County does not financially provide for any post-employment medical benefits and life insurance except to those eligible retirees and their dependents for the remaining life of retiree with medical (limited) and limited life insurance and those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). These exceptions are funded at the retiree and/or dependent's expense that have elected the coverage under the Act with no direct costs of the premium to be incurred by the County.

The County enters into a contract with a reinsurance company to provide stop-loss coverage where the County's liability under the plan is limited to a projected cost factor determined annually by the company. The stop-loss attachment point is based on a specified monthly amount per covered employee or dependent.

Claims in excess of the specific stop-loss amount of \$85,000 per covered person and the annual aggregate claim liability of \$2,504,962 are fully insured. The plan paid net claims of approximately \$1,913,910 during the plan year ended September 30, 2015. Total estimated unpaid claims for Wood County for charges incurred prior to September 30, 2015, were \$295,456. The plan is administered by Health First, Third Party Administrators, Tyler, Texas.

Premiums are paid into the General Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are used to reduce the amount of claims expenditures reported in the General Fund.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past three years are as follows:

	Year Ended 09/30/15	Year Ended 09/30/14	Year Ended 09/30/13
Unpaid claims, beginning of fiscal year	\$ 278,748	\$ 242,351	\$ 295,160
Incurred claims (including IBNRs)	1,930,618	1,702,445	1,399,211
Claim payments	( 1,913,910)	( 1,666,048)	( 1,452,020)
Unpaid claims, end of fiscal year	<u>\$ 295,456</u>	<u>\$ 278,748</u>	<u>\$ 242,351</u>

### **Dental Policy**

Effective October 1, 2009, the County began offering dental coverage for employees and their covered dependents. The plan paid claims of approximately \$94,951 for the plan year ended September 30, 2015.

### **C. Postemployment Benefits Other than Pension Benefits (OPEB)**

Health insurance, dental, and life insurance benefits provided under the County's benefits plan, are provided to eligible retirees or former employees who are fully vested, have completed at least 8 full years of employment with Wood County and are leaving all funds on deposit with the TCDRS with the intention of retiring at a later date in accordance with the policies and procedures approved by Commissioners' Court.

The cost of the elected benefits is paid by the retirees or eligible former employees in accordance with the premiums annually set by Commissioners' Court. Listed below are the current monthly premiums for retirees or eligible former employees:

#### **Health Insurance**

Retiree/fully vested former employee	\$350
Retiree/fully vested former employee and spouse (coupled with retiree/fully vested former employee)	\$340
Medicare retiree	\$230
Medicare spouse (coupled with retiree)	\$285

#### **Dental**

Retiree/fully vested former employee	\$25
Retiree/fully vested former employee and spouse (coupled with retiree/fully vested former employee)	\$49
Retiree/fully vested former employee and children	\$50
Retiree/fully vested former employee and family	\$64

#### **Life**

Retiree/fully vested former employee (depending on coverage)	\$1 - \$10
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#### **Vision**

Retiree/fully vested former employee	\$6
Retiree/fully vested former employee and spouse (coupled with retiree/fully vested former employee)	\$11
Retiree/fully vested former employee and children	\$11
Retiree/fully vested former employee and family	\$17

The retiree's or eligible former employee's dependent coverage is an option only as long as the retiree or eligible former employee maintains personal coverage. Dependent coverage will cease when the retiree's or eligible former employee's coverage ceases. After the initial election, which is limited to coverage in effect on the last day of employment, no additional elections may be made.

As of September 30, 2015, the County had 59 participating retirees and/or eligible former employees. The total premiums collected by the County for the retirees and/or eligible former employees were \$141,659, of which \$67,188 (47%) was paid to the plan's third party administrator for stop-loss, premiums and administrative costs. Total claims paid were \$359,039 for the fiscal year.

***Annual OPEB Cost and Net OPEB Obligation.*** The County's annual other postemployment benefit (OPEB) cost is calculated based on an annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's OPEB obligation.

Fiscal Year	2014
Annual Required Contribution (ARC)	\$ 204,207
Interest on Net OPEB Obligation	29,259
Adjustment to the ARC	( 41,479)
Annual OPEB Cost	191,987
Contributions Made	( 88,144)
Increase in Net OPEB Obligation	103,843
Net OPEB Obligation, beginning of year	731,466
Net OPEB Obligation, ending of year	<u>\$ 835,309</u>

The County's annual OPEB cost, amount contributed to the plan, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ending September 30, 2015 and the preceding fiscal year is as follows:

Fiscal Year Ending	Annual OPEB Cost	Employer Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2013	\$ 230,308	\$ 65,119	28.3%	\$ 636,896
09/30/2014	191,643	97,073	50.7%	731,466
09/30/2015	191,987	88,144	45.9%	835,309

Actuarial valuation of an ongoing plan involves estimates of the 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 revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.



**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level Dollar Amount
Amortization Period	Open 30 year period
Discount Rate	4.00% (1.00% real rate of return plus 3.00% inflation)
Healthcare Cost Trend	Level at 5.00%

**Funded Status.** The funded status of the County's retiree health care plan under GASB Statement No. 45 as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
10/1/2013	\$ -	\$ 1,746,139	0%	\$ 1,746,139	\$ 7,150,221	24.42%

#### **D. Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The County provides for the management of these risks through a combination of self-insurance and traditional insurance.

#### **E. Commitments and Contingencies**

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements, and accordingly, no provision for losses has been recorded.

The County participates in various state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2015, may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

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**REQUIRED  
SUPPLEMENTARY INFORMATION**

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# WOOD COUNTY, TEXAS

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

### GENERAL FUND

**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 12,735,308	\$ 12,735,308	\$ 13,127,479	\$ 392,171
Charges for services	1,119,500	1,119,500	1,311,059	191,559
Intergovernmental	278,920	479,409	486,877	7,468
Investment income	65,000	65,000	116,710	51,710
Other	76,800	132,378	161,567	29,189
Total revenues	<u>14,275,528</u>	<u>14,531,595</u>	<u>15,203,692</u>	<u>672,097</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,988,164	4,175,539	4,016,223	159,316
Public safety	6,209,707	6,236,531	5,737,536	498,995
Judicial	2,467,613	2,575,203	2,510,438	64,765
Community services	1,309,684	1,128,753	825,586	303,167
Capital outlay	230,000	232,898	231,964	934
Total expenditures	<u>14,205,168</u>	<u>14,348,924</u>	<u>13,321,747</u>	<u>1,027,177</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>70,360</u>	<u>182,671</u>	<u>1,881,945</u>	<u>1,699,274</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	-	56,177	56,337	160
Total other financing sources	<u>-</u>	<u>56,177</u>	<u>56,337</u>	<u>160</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 70,360</u>	<u>\$ 238,848</u>	1,938,282	<u>\$ 1,699,434</u>
<b>FUND BALANCE, BEGINNING</b>			<u>13,697,759</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 15,636,041</u>	

# WOOD COUNTY, TEXAS

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

### ROAD AND BRIDGE

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,207,777	\$ 4,207,777	\$ 4,249,031	\$ 41,254
Charges for services	460,000	477,351	509,308	31,957
Fines and forfeitures	317,000	317,000	344,827	27,827
Motor vehicle registration	380,000	380,000	362,000	( 18,000)
Other	-	157,331	157,331	-
Total revenues	<u>5,364,777</u>	<u>5,539,459</u>	<u>5,622,497</u>	<u>83,038</u>
<b>EXPENDITURES</b>				
Current:				
Public transportation	4,985,516	5,281,611	4,795,449	486,162
Capital outlay	<u>377,900</u>	<u>1,339,663</u>	<u>565,539</u>	<u>774,124</u>
Total expenditures	<u>5,363,416</u>	<u>6,621,274</u>	<u>5,360,988</u>	<u>1,260,286</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,361</u>	<u>( 1,081,815)</u>	<u>261,509</u>	<u>1,343,324</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	<u>-</u>	<u>324,639</u>	<u>324,639</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>324,639</u>	<u>324,639</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 1,361</u>	<u>\$ ( 757,176)</u>	586,148	<u>\$ 1,343,324</u>
<b>FUND BALANCE, BEGINNING</b>			<u>2,698,178</u>	
<b>FUND BALANCE, ENDING</b>			<u>\$ 3,284,326</u>	

**WOOD COUNTY, TEXAS**  
**NOTES TO BUDGETARY SCHEDULES**  
**SEPTEMBER 30, 2015**

**Budgetary Information**

The County uses the following procedures in establishing the budgetary data reflected in the financial schedules:

Prior to September 1, the Commissioners' Court proposes an operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. Public hearings are conducted to obtain taxpayer comment.

Prior to adoption of the budget, the Commissioners' Court receives a certified tax roll from the Chief Appraiser and the Tax Assessor/Collector prepares the calculation of the effective tax rate. The County Auditor prepares a schedule of estimated unencumbered fund balances. This information is used to determine the ad valorem tax rate which will produce the major portion of the revenue available for the budget year.

**Encumbrance Accounting**

The County does not use a formal encumbrance accounting system. At year-end, the Commissioners' Court may take action to commit a portion of the fund balances for capital outlays and other specific expenditures that had been planned during the budget year, but were not completed at year-end. In addition, the County has a specific capital outlay carryover policy for the Road and Bridge Funds which allows budgeted but unspent funds for machines and equipment at year-end to be carried over to the following budget year.

**Budgetary Basis**

Budgets are adopted on a basis consistent with generally accepted accounting principles.

# WOOD COUNTY, TEXAS

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Plan Year Ended December 31	2014
<b>Total Pension Liability</b>	
Service Cost	\$ 1,074,024
Interest total pension liability	2,516,316
Effect of plan changes	-
Effect of assumption changes or inputs	-
Effect of economic/demographic (gains) or losses	( 76,235)
Benefit payments/refunds of contributions	( 1,740,042)
Net change in total pension liability	1,774,063
Total pension liability - beginning	<u>31,392,153</u>
Total pension liability - ending (a)	<u><u>\$ 33,166,216</u></u>
<b>Plan Fiduciary Net Position</b>	
Employer contributions	\$ 1,126,360
Member contributions	547,817
Investment income net of investment expenses	2,066,392
Benefit payments refunds of contributions	( 1,740,042)
Administrative expenses	( 24,057)
Other	<u>35,630</u>
Net change in plan fiduciary net position	2,012,100
Plan fiduciary net position - beginning	<u>30,230,141</u>
Plan fiduciary net position - ending (b)	<u><u>32,242,241</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 923,975</u></u>
Fiduciary net position as a percentage of total pension liability	97.21%
Pensionable covered payroll	\$ 7,825,953
Net pension liability as a percentage of covered payroll	11.81%



**WOOD COUNTY, TEXAS**

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>Fiscal Year Ended September 30</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Pensionable Covered Payroll (1)</b>	<b>Actual Contribution as a % of Covered Payroll</b>
2014	\$ 1,011,227	\$ 1,120,227	\$ ( 109,000)	\$ 8,077,908	13.9%
2015	1,050,128	1,050,128	-	8,617,131	12.2%

(1) Payroll is calculated based on contributions as reported to TCDRS.

(2) Information prior to 2014 is not available.

# WOOD COUNTY, TEXAS

## NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

### FOR THE YEAR ENDED SEPTEMBER 30, 2015

<b>Valuation Timing</b>	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.
<b>Actuarial Cost Method</b>	Entry age normal
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
<b>Inflation</b>	3.0%
<b>Salary Increases</b>	Annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of 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.
<b>Investment Rate of Return</b>	8.1%
<b>Cost-of Living Adjustments</b>	Cost-of-Living Adjustments are considered to be substantively automatic under GASB 68. Therefore, an annual 100% CPI cost-of-living adjustment is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
<b>Retirement Age</b>	Experience-based table of rates based on a study of the period 2009-2012.
<b>Turnover</b>	New employees are assumed to replace any terminated members and have similar entry ages.
<b>Mortality</b>	
Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.
<b>Other Information</b>	There were no benefit changes during the year.

# WOOD COUNTY, TEXAS

## SCHEDULE OF FUNDING PROGRESS FOR POST-RETIREMENT HEALTH CARE BENEFIT PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
10/1/2011	\$ -	\$ 1,809,103	0.00%	\$ 1,809,103	\$ 6,656,000	27.18%
10/1/2013	-	1,746,139	0.00%	1,746,139	7,150,221	24.42%

(Note) Fiscal Year 2011 was the first year of implementation of GASB 45. Accordingly, only these years of funding progress are available. Additional years of funding progress will be presented in future years, as they become available.

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## **COMBINING STATEMENTS**

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### **NONMAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds are used to account for the proceeds of specified revenue sources or to finance specified activities as required by law or administrative regulation.

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

**WOOD COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2015**

	Special Revenue				
	County Clerk Records Management and Preservation	County Clerk Records Archive	General Records Management and Preservation	Courthouse Security	Right of Way
<b>ASSETS</b>					
Cash and investments	\$ 420,997	\$ 345,121	\$ 36,722	\$ 32,553	\$ 806,702
Taxes receivable	-	-	-	-	6,623
Due from other governments	-	-	-	-	-
Prepaid items	<u>10</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 421,007</u>	<u>\$ 345,121</u>	<u>\$ 36,733</u>	<u>\$ 32,553</u>	<u>\$ 813,325</u>
<b>LIABILITIES</b>					
Liabilities:					
Accounts payable	\$ -	\$ 2,500	\$ -	\$ 238	\$ -
Accrued liabilities	<u>-</u>	<u>-</u>	<u>583</u>	<u>732</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>2,500</u>	<u>583</u>	<u>970</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue: property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,623</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	10	-	11	-	-
Restricted:					
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Judicial	-	-	-	-	-
Record preservation	420,997	342,621	36,139	-	-
Technology improvements	-	-	-	31,583	-
Economic development	-	-	-	-	-
Committed:					
Property acquisitions	-	-	-	-	806,702
Improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>421,007</u>	<u>342,621</u>	<u>36,150</u>	<u>31,583</u>	<u>806,702</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 421,007</u>	<u>\$ 345,121</u>	<u>\$ 36,733</u>	<u>\$ 32,553</u>	<u>\$ 813,325</u>



Special Revenue

<u>Law Library</u>	<u>Sheriff Forfeiture</u>	<u>Hotel/ Motel Tax</u>	<u>Tobacco Settlement</u>	<u>Crime Victim Service</u>	<u>Justice Court Technology</u>	<u>District Clerk Records Management</u>	<u>Criminal District Attorney Special</u>	<u>JP Building Security</u>
\$ 33,034	\$ 25,344	\$ 81,813	\$ 60,161	\$ 4,043	\$ 57,608	\$ 38,584	\$ 41,117	\$ 25,073
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	5,000	-	-	428	3	-	-
<u>\$ 33,034</u>	<u>\$ 25,344</u>	<u>\$ 86,813</u>	<u>\$ 60,161</u>	<u>\$ 4,043</u>	<u>\$ 58,036</u>	<u>\$ 38,587</u>	<u>\$ 41,117</u>	<u>\$ 25,073</u>
\$ 954	\$ -	\$ 9,021	\$ -	\$ -	\$ 5,361	\$ -	\$ -	\$ 3,916
-	-	-	-	-	-	-	-	-
<u>954</u>	<u>-</u>	<u>9,021</u>	<u>-</u>	<u>-</u>	<u>5,361</u>	<u>-</u>	<u>-</u>	<u>3,916</u>
-	-	-	-	-	-	-	-	-
-	-	5,000	-	-	428	3	-	-
-	-	-	-	-	-	-	-	-
-	25,344	-	-	-	-	-	-	-
32,080	-	-	-	4,043	-	-	41,117	-
-	-	-	-	-	-	38,584	-	-
-	-	-	-	-	52,247	-	-	21,157
-	-	72,792	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	60,161	-	-	-	-	-
<u>32,080</u>	<u>25,344</u>	<u>77,792</u>	<u>60,161</u>	<u>4,043</u>	<u>52,675</u>	<u>38,587</u>	<u>41,117</u>	<u>21,157</u>
<u>\$ 33,034</u>	<u>\$ 25,344</u>	<u>\$ 86,813</u>	<u>\$ 60,161</u>	<u>\$ 4,043</u>	<u>\$ 58,036</u>	<u>\$ 38,587</u>	<u>\$ 41,117</u>	<u>\$ 25,073</u>

**WOOD COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2015**

	Special Revenue				
	Elections Special	Guardianship	County Clerk Technology	District Clerk Technology	District Clerk Records Archive
<b>ASSETS</b>					
Cash and investments	\$ 23,628	\$ 35,101	\$ 3,639	\$ 4,656	\$ 26,257
Taxes receivable	-	-	-	-	-
Due from other governments	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	<u>\$ 23,628</u>	<u>\$ 35,101</u>	<u>\$ 3,639</u>	<u>\$ 4,656</u>	<u>\$ 26,257</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue: property taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable					
Prepaid items	-	-	-	-	-
Restricted					
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Judicial	23,628	35,101	-	-	-
Record preservation	-	-	-	-	26,257
Technology improvements	-	-	3,639	4,656	-
Economic development	-	-	-	-	-
Committed					
Property acquisitions	-	-	-	-	-
Improvements	-	-	-	-	-
Total fund balances	<u>23,628</u>	<u>35,101</u>	<u>3,639</u>	<u>4,656</u>	<u>26,257</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 23,628</u>	<u>\$ 35,101</u>	<u>\$ 3,639</u>	<u>\$ 4,656</u>	<u>\$ 26,257</u>

Special Revenue				Debt Service	
District Clerk Records Preservation	Texas Community Development Program	Constable Forfeiture	Total Special Revenue	Interest and Sinking	Total Nonmajor Governmental Funds
\$ 25,293	\$ -	\$ 2,135	\$ 2,129,581	\$ 57,481	\$ 2,187,062
-	-	-	6,623	10,665	17,288
-	3,488	-	3,488	-	3,488
-	-	-	5,452	-	5,452
<u>\$ 25,293</u>	<u>\$ 3,488</u>	<u>\$ 2,135</u>	<u>\$ 2,145,144</u>	<u>\$ 68,146</u>	<u>\$ 2,213,290</u>
\$ -	\$ -	\$ -	\$ 21,990	\$ -	\$ 21,990
-	3,488	-	4,803	-	4,803
-	3,488	-	26,793	-	26,793
-	-	-	6,623	10,664	17,287
-	-	-	5,452	-	5,452
-	-	-	-	57,482	57,482
-	-	2,135	27,479	-	27,479
-	-	-	135,969	-	135,969
25,293	-	-	889,891	-	889,891
-	-	-	113,282	-	113,282
-	-	-	72,792	-	72,792
-	-	-	806,702	-	806,702
-	-	-	60,161	-	60,161
<u>25,293</u>	<u>-</u>	<u>2,135</u>	<u>2,111,728</u>	<u>57,482</u>	<u>2,169,210</u>
<u>\$ 25,293</u>	<u>\$ 3,488</u>	<u>\$ 2,135</u>	<u>\$ 2,145,144</u>	<u>\$ 68,146</u>	<u>\$ 2,213,290</u>

# WOOD COUNTY, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue				
	County Clerk Records Management and Preservation	County Clerk Records Archive	General Records Management and Preservation	Courthouse Security	Right of Way
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 517
Charges for services	158,083	152,750	13,027	27,659	-
Intergovernmental	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	2,016	1,670	203	172	4,465
Other	-	-	-	-	-
Total revenues	<u>160,099</u>	<u>154,420</u>	<u>13,230</u>	<u>27,831</u>	<u>4,982</u>
<b>EXPENDITURES</b>					
Current:					
General government	52,707	45,882	-	-	-
Public safety	-	-	-	27,256	-
Judicial	-	-	15,719	-	-
Community services	-	-	-	-	-
Total expenditures	<u>52,707</u>	<u>45,882</u>	<u>15,719</u>	<u>27,256</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	107,392	108,538	( 2,489)	575	4,982
<b>FUND BALANCES, BEGINNING</b>	<u>313,615</u>	<u>234,083</u>	<u>38,639</u>	<u>31,008</u>	<u>801,720</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 421,007</u>	<u>\$ 342,621</u>	<u>\$ 36,150</u>	<u>\$ 31,583</u>	<u>\$ 806,702</u>

Special Revenue

Law Library	Sheriff Forfeiture	Hotel/ Motel Tax	Tobacco Settlement	Crime Victim Service	Justice Court Technology	District Clerk Records Management	Criminal District Attorney Special	JP Building Security
\$ -	\$ -	\$ 101,018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
17,719	-	-	-	-	8,741	4,308	17,580	2,167
-	-	-	8,943	-	-	-	-	-
-	16,062	-	-	-	-	-	-	-
220	-	396	-	22	321	209	214	131
-	-	-	-	110	-	-	-	-
<u>17,939</u>	<u>16,062</u>	<u>101,414</u>	<u>8,943</u>	<u>132</u>	<u>9,062</u>	<u>4,517</u>	<u>17,794</u>	<u>2,298</u>
-	-	104,215	-	-	-	3,202	-	-
-	10,109	-	-	-	-	-	-	3,916
28,681	-	-	-	-	15,010	-	27,242	-
-	-	-	-	-	-	-	-	-
<u>28,681</u>	<u>10,109</u>	<u>104,215</u>	<u>-</u>	<u>-</u>	<u>15,010</u>	<u>3,202</u>	<u>27,242</u>	<u>3,916</u>
( 10,742)	5,953	( 2,801)	8,943	132	( 5,948)	1,315	( 9,448)	( 1,618)
<u>42,822</u>	<u>19,391</u>	<u>80,593</u>	<u>51,218</u>	<u>3,911</u>	<u>58,623</u>	<u>37,272</u>	<u>50,565</u>	<u>22,775</u>
<u>\$ 32,080</u>	<u>\$ 25,344</u>	<u>\$ 77,792</u>	<u>\$ 60,161</u>	<u>\$ 4,043</u>	<u>\$ 52,675</u>	<u>\$ 38,587</u>	<u>\$ 41,117</u>	<u>\$ 21,157</u>

# WOOD COUNTY, TEXAS

## COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

### NONMAJOR GOVERNMENTAL FUNDS

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Special Revenue				
	Elections Special	Guardianship	County Clerk Technology	District Clerk Technology	District Clerk Records Archive
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Charges for services	-	4,881	756	2,247	6,716
Intergovernmental	4,582	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	114	179	19	19	125
Other	-	-	-	-	-
Total revenues	<u>4,696</u>	<u>5,060</u>	<u>775</u>	<u>2,266</u>	<u>6,841</u>
<b>EXPENDITURES</b>					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Judicial	-	-	-	-	-
Community services	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	4,696	5,060	775	2,266	6,841
<b>FUND BALANCES, BEGINNING</b>	<u>18,932</u>	<u>30,041</u>	<u>2,864</u>	<u>2,390</u>	<u>19,416</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 23,628</u>	<u>\$ 35,101</u>	<u>\$ 3,639</u>	<u>\$ 4,656</u>	<u>\$ 26,257</u>

Special Revenue				Debt Service	
District Clerk Records Preservation	Texas Community Development Program	Constable Forfeiture	Total Special Revenue	Interest and Sinking	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 101,535	\$ 1,482	\$ 103,017
1,264	-	-	417,898	-	417,898
-	198,380	-	211,905	-	211,905
-	-	-	16,062	-	16,062
137	-	12	10,644	44	10,688
-	-	-	110	-	110
<u>1,401</u>	<u>198,380</u>	<u>12</u>	<u>758,154</u>	<u>1,526</u>	<u>759,680</u>
-	-	-	206,006	-	206,006
-	-	630	41,911	-	41,911
-	-	-	86,652	-	86,652
-	198,380	-	198,380	-	198,380
<u>-</u>	<u>198,380</u>	<u>630</u>	<u>532,949</u>	<u>-</u>	<u>532,949</u>
1,401	-	( 618)	225,205	1,526	226,731
<u>23,892</u>	<u>-</u>	<u>2,753</u>	<u>1,886,523</u>	<u>55,956</u>	<u>1,942,479</u>
<u>\$ 25,293</u>	<u>\$ -</u>	<u>\$ 2,135</u>	<u>\$ 2,111,728</u>	<u>\$ 57,482</u>	<u>\$ 2,169,210</u>

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# **AGENCY FUNDS**

# WOOD COUNTY, TEXAS

## COMBINING STATEMENT OF ASSETS AND LIABILITIES AGENCY FUNDS

SEPTEMBER 30, 2015

	Wood County Historical Commission	County Clerk	District Clerk	Justices of the Peace	Criminal District Attorney	Tax Collector
<b>ASSETS</b>						
Cash and investments	\$ 48,394	\$ 108,794	\$ 897,174	\$ 664	\$ 41,117	\$ 1,099,734
Due from state	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 48,394</u>	<u>\$ 108,794</u>	<u>\$ 897,174</u>	<u>\$ 664</u>	<u>\$ 41,117</u>	<u>\$ 1,099,734</u>
<b>LIABILITIES</b>						
Due to other governments	\$ 48,394	\$ -	\$ 36,773	\$ 664	\$ -	\$ 913,276
Due to beneficiaries	<u>-</u>	<u>108,794</u>	<u>860,401</u>	<u>-</u>	<u>41,117</u>	<u>186,458</u>
Total liabilities	<u>\$ 48,394</u>	<u>\$ 108,794</u>	<u>\$ 897,174</u>	<u>\$ 664</u>	<u>\$ 41,117</u>	<u>\$ 1,099,734</u>

<u>Sheriff</u>	<u>Child Welfare Board</u>	<u>Wood County CSCD</u>	<u>Wood County Juvenile Probation</u>	<u>Upper Sabine Valley Solid Waste Management District</u>	<u>County Treasurer Special</u>	<u>Totals</u>
\$ 182,607	\$ 10,712	\$ 446,535	\$ -	\$ 514,161	\$ 70,042	\$ 3,419,934
<u>-</u>	<u>-</u>	<u>-</u>	<u>4,546</u>	<u>-</u>	<u>-</u>	<u>4,546</u>
<u>\$ 182,607</u>	<u>\$ 10,712</u>	<u>\$ 446,535</u>	<u>\$ 4,546</u>	<u>\$ 514,161</u>	<u>\$ 70,042</u>	<u>\$ 3,424,480</u>
\$ 88,191	\$ 10,712	\$ 446,535	\$ -	\$ 514,161	\$ 70,042	\$ 2,128,748
<u>94,416</u>	<u>-</u>	<u>-</u>	<u>4,546</u>	<u>-</u>	<u>-</u>	<u>1,295,732</u>
<u>\$ 182,607</u>	<u>\$ 10,712</u>	<u>\$ 446,535</u>	<u>\$ 4,546</u>	<u>\$ 514,161</u>	<u>\$ 70,042</u>	<u>\$ 3,424,480</u>

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# **INTERNAL CONTROL AND COMPLIANCE REPORT**

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

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

To the Honorable County Judge  
and Commissioners Court  
Wood County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County, Texas ("the County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 24, 2016.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Waco, Texas  
June 24, 2016