

ARANSAS COUNTY, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
December 31, 2016

Aransas County, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2016

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the County Judge and Commissioners' Court
Aransas County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aransas County, Texas, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Aransas County, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Aransas County, Texas, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Employees Retirement System Information on pages 4–15 and 71–75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Aransas County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2017, on our consideration of Aransas County, Texas' 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 Aransas County, Texas' internal control over financial reporting and compliance.

Wayne R. Beyer

BEYER & COMPANY
Certified Public Accountants
June 9, 2017

Management's Discussion and Analysis

As management of Aransas County, Texas, we offer readers of Aransas County, Texas' financial statements this narrative overview and analysis of the financial activities of Aransas County, Texas for the fiscal year ended December 31, 2016.

Financial Highlights

- . The assets of Aransas County, Texas exceeded its liabilities at the close of the most recent fiscal year by \$42,531,046 (net position). Of this amount, \$15,865,243 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net position increased by \$1,124,774. This increase is attributable to an increase in property taxes of \$1,164,797, a decrease on public facility expenses of \$2,131,044, an increase in public transportation expenses of \$1,255,720, and good budget management.
- . As of the close of the current fiscal year, Aransas County, Texas' governmental funds reported combined ending fund balances of \$18,575,514, an increase of \$2,564,471 in comparison with the prior year. Approximately 28% of this total amount, \$5,142,238, is available for spending at the government's discretion (unassigned fund balance). The fund balance increase was a result of an increase in ad valorem taxes and a decrease in various capital expenditures for various projects.
- . At the end of the current fiscal year, the unassigned fund balance for the general fund was \$5,320,291 or 38 percent of total general fund expenditures, the total fund balance for the road and bridge fund was \$3,186,745 and was restricted and was 130 percent of total road and bridge fund expenditures, the total fund balance for the flood capital project fund was \$1,181,300 and was restricted and was 431 percent of flood capital project expenditures, the total fund balance for the capital projects fund was a negative \$160,252 and was restricted and was 0 percent of total capital projects fund expenditures, and the total fund balance for the health care sales tax fund was \$583,838 and was 293 percent of total health care sales tax fund expenditures.
- . Aransas County, Texas' total short-term and long-term debt increased by \$3,335,333 (15 percent) during the current fiscal year. The key factor in this increase was the issuance of bonded debt of \$2,600,000 and an increase in total net pension payable of \$1,665,461.

Overview of the Financial Statements

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

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

The statement of net position presents information on all of Aransas County, Texas' 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 Aransas County, Texas is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of Aransas County, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Aransas County, Texas include general administration, public safety, environmental protection, public transportation, health and welfare, public facilities, legal, elections, financial administration, conservation, capital projects, culture and recreation, and employee insurance fund.

The government-wide financial statements include only Aransas County, Texas itself (known as the primary government).

The government-wide financial statements can be found on pages 16-17 of this report.

Fund financial statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Aransas County, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds:

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

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

Aransas County, Texas maintains fifty-two (52) 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, the road and bridge fund, the flood capital project fund, the capital projects fund, and the health care sales tax fund which are considered to be major funds. There was no budget for the major capital projects fund. Data from the other forty-seven (47) 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.

Aransas County, Texas adopts an annual appropriated budget for its general fund, the road and bridge fund, the flood capital project fund, and the health care sales tax fund. There was no budget for the major capital projects fund.

The basic governmental fund financial statements can be found on pages 18-26 of this report.

Proprietary funds: Aransas County, Texas maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Aransas County, Texas uses enterprise funds to account for its airport and jail commissary operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the local airport and the jail commissary, both of which are considered to be major funds of Aransas County, Texas.

The basic proprietary fund financial statements can be found on pages 27-31 of this report.

Aransas County, Texas also has one agency fund which is a fiduciary fund type. The Fiduciary net position is found on page 32.

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 on pages 33-70 of this report.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Aransas County, Texas' progress in funding its obligation to provide pension plan information. Required supplementary information can be found on pages 71-75 of this report.

The combining statements referred to earlier in connection with the road and bridge and nonmajor governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 76-83 of this report.

The Single Audit Information can be found on pages 84-93.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Aransas County, Texas, assets exceeded liabilities by \$42,531,046 at the close of the most recent fiscal year.

A portion of Aransas County, Texas' net position (31 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, and equipment), less any related debt used to acquire those assets that are still outstanding. Aransas County, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Aransas County, Texas' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**ARANSAS COUNTY, TEXAS
NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$31,238,882	\$27,471,942	\$826,567	\$882,627	\$32,065,449	\$28,354,569
Restricted Assets:	2,435,308	2,381,113			2,435,308	2,381,113
Capital Assets	27,674,253	27,865,007	7,776,862	8,391,358	35,451,115	36,256,365
Total Assets	61,348,443	57,718,062	8,603,429	9,273,985	69,951,872	66,992,047
Total Deferred Outflows of Resources	3,612,162	1,431,560	165,914	42,300	3,778,076	1,473,860
Long-Term Liabilities	24,600,892	21,322,950	941,737	826,655	25,542,629	22,149,605
Other Liabilities	1,046,836	1,072,080	79,913	127,794	1,126,749	1,199,874
Total Liabilities	25,647,728	22,395,030	1,021,650	954,449	26,669,378	23,349,479
Total Deferred Inflows of Resources	4,521,297	3,707,617	8,227	2,539	4,529,524	3,710,156
Net Position						
Invested in Capital Assets, Net of Related Debt	6,411,687	7,842,503	6,904,433	7,528,758	13,316,120	15,371,261
Restricted	13,349,683	11,189,654			13,349,683	11,189,654
Unrestricted	15,030,210	14,014,818	835,033	830,539	15,865,243	14,845,357
Total Net Position	\$34,791,580	\$33,046,975	\$7,739,466	\$8,359,297	\$42,531,046	\$41,406,272

An additional portion of Aransas County, Texas' net position (31 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$15,865,243) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, Aransas County, Texas reported a positive balance in the governmental activities and business-type activities. For the prior fiscal year, Aransas County, Texas reported positive balances in net position, both for the government as a whole, as well as for its separate governmental activities and business-type activities.

The government's total net position increased by \$1,124,774. This increase is attributable to an increase in property taxes of \$1,164,797, a decrease on public facility expenses of \$2,131,044, an increase in public transportation expenses of \$1,255,720, and good budget management.

Governmental activities: Governmental activities increased Aransas County, Texas' net position by \$1,744,605, thereby accounting for 100 percent of the total increase in the net position of Aransas County, Texas.

**ARANSAS COUNTY, TEXAS
CHANGE IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for Services	\$5,147,513	\$4,851,612	\$1,120,214	\$1,334,875	\$6,267,727	\$6,186,487
Operating Grants and Contributions	956,653	1,125,998	0	0	956,653	1,125,998
Capital Grants and Contributions	850,721	2,003,434	100,665	92,428	951,386	2,095,862
General Revenues						
Taxes						
Property Taxes	12,046,841	10,882,044			12,046,841	10,882,044
Sales	3,028,403	2,908,666			3,028,403	2,908,666
Hotel/Motel	402,782	405,514			402,782	405,514
Venue	461,456	488,501			461,456	488,501
Other	141,857	103,695			141,857	103,695
Unrestricted Investment Earnings	138,973	102,058	4,463	2,206	143,436	104,264
Miscellaneous	422,345	253,977			422,345	253,977
Total Revenue	23,597,544	23,125,499	1,225,342	1,429,509	24,822,886	24,555,008
Expenses:						
General Administration	1,873,828	2,048,737			1,873,828	2,048,737
Legal	741,753	548,590			741,753	548,590
Judicial	1,301,820	1,167,819			1,301,820	1,167,819
Financial Administration	2,336,257	1,998,834			2,336,257	1,998,834
Public Facilities	1,892,485	4,023,529			1,892,485	4,023,529
Public Safety	7,460,807	7,472,180	330,544	291,908	7,791,351	7,764,088
Public Transportation	3,425,158	2,169,438			3,425,158	2,169,438
Environmental Protection	628,168	601,260			628,168	601,260
Culture and Recreation	291,115	334,464	1,512,323	1,633,268	1,803,438	1,967,732
Health and Welfare	1,185,156	1,184,897			1,185,156	1,184,897
Conservation - Agriculture	119,452	115,564			119,452	115,564
Interest and Fiscal Charges	599,246	602,379			599,246	602,379
Total Expenses	21,855,245	22,267,691	1,842,867	1,925,176	23,698,112	24,192,867
Increase in Net Position Before Transfers and Special Items	1,742,299	857,808	(617,525)	(495,667)	1,124,774	362,141
Transfers	2,306	0	(2,306)	0	0	0
Increase in Net Position	1,744,605	857,808	(619,831)	(495,667)	1,124,774	362,141
Net Position at 12/31/2015	33,046,975	32,189,167	8,359,297	8,854,964	41,406,272	41,044,131
Net Position at 12/31/2016	\$34,791,580	\$33,046,975	\$7,739,466	\$8,359,297	\$42,531,046	\$41,406,272

The governmental activities net position increased by \$1,744,605. This increase is attributable to an increase in property taxes of \$1,164,797, a decrease on public facility expenses of \$2,131,044, an increase in public transportation expenses of \$1,255,720, and good budget management.

Expenses and Program Revenues - Governmental Activities

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government Activities:				
General Administration	\$1,873,828	\$406,404	\$0	\$0
Legal	741,753	29,562		
Judicial	1,301,820	613,728	112,547	
Financial Administration	2,336,257	168,269		
Public Facilities	1,892,485			850,721
Public Safety	7,460,807	2,260,429	292,762	
Public Transportation	3,425,158	1,004,466	535,714	
Environmental Protections	628,168	659,678		
Culture and Recreation	291,115	4,162	250	
Health and Welfare	1,185,156	815	15,380	
Conservation - Agriculture	119,452			
Interest and Fiscal Charges	599,246			
Total Government Activities	\$21,855,245	\$5,147,513	\$956,653	\$850,721

Revenues by Source - Governmental Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$5,147,513	21.81%
Operating Grants and Contributions	956,653	4.05%
Capital Grants and Contributions	850,721	3.61%
Property Taxes	12,046,841	51.05%
Sales	3,028,403	12.83%
Hotel/Motel	402,782	1.71%
Venue	461,456	1.96%
Other	141,857	0.60%
Unrestricted Investment Earnings	138,973	0.59%
Miscellaneous	422,345	1.79%
	\$23,597,544	100.00%

For the most part expense increases/decreases were fairly ratable throughout the different departments.

Business-type activities: Business-type activities decreased Aransas County, Texas' net position by \$619,831, accounting for 0 percent of the total growth in the government's net position. Key elements of this decrease are as follows: This decrease is mainly attributable depreciation expense of \$677,536 in airport operations. The total overall charges for services decreased by \$214,661 with the largest decrease in the airport fund. Total operating expenses decreased by \$82,309 with the largest decrease in the airport fund.

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Business-Type Activities:				
Airport	\$1,512,323	\$831,038	\$0	\$100,665
Jail Commissary	330,544	289,176		
Total Business-Type Activities:	<u>\$1,842,867</u>	<u>\$1,120,214</u>	<u>\$0</u>	<u>\$100,665</u>

Revenues by Source - Business-Type Activities

	REVENUES	%
Charges for Services	\$1,120,214	91.42%
Capital Grants and Contributions	100,665	8.22%
Unrestricted Investment Earnings	4,463	0.36%
	<u>\$1,225,342</u>	<u>100.00%</u>

Financial Analysis of the Government's Funds

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

Governmental funds:

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

As of the end of the current fiscal year, Aransas County, Texas' governmental funds reported combined ending fund balances of \$18,575,514, an increase of \$2,564,471 in comparison with the prior year. Approximately 28 percent of this total amount (\$5,142,238) constitutes unassigned fund balance, which is available for spending at the government's discretion.

The general fund is the chief operating fund of Aransas County, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,320,291, while total fund balance reached \$5,355,790. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 38 percent of total general fund expenditures, while total fund balance represents 38 percent of that same amount.

The fund balance of Aransas County, Texas' general fund increased by \$330,787 during the current fiscal year. The reason for this increase was an increase in ad valorem taxes of \$451,464. The increase in ad valorem taxes resulted from an increase in land values.

The road and bridge fund had an unassigned fund balance of \$-0- while total fund balance reached \$3,186,745. As a measure of the road and bridge fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 0 percent of total road and bridge fund expenditures, while total fund balance represents 130 percent of that same amount.

The fund balance of the road and bridge fund increased by \$190,041 during the current year. The reason for this increase was a decrease in transfers out of \$90,655.

The flood capital project fund had an unassigned fund balance of \$-0- while total fund balance reached \$1,181,300. As a measure of the flood capital project fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 00 percent of total hotel/motel fund expenditures, while total fund balance represents 431 percent of that same amount.

The fund balance of flood capital project fund decreased by \$268,497 during the current year. The reason for this decrease was major capital construction.

The capital projects fund had an unassigned fund balance of \$-0- while total fund balance reached a negative of \$160,252. As a measure of the capital projects fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 00 percent of capital projects fund expenditures, while total fund balance represents 0 percent of that same amount.

The fund balance of the capital projects fund increased by \$48,507 during the current year. The reason for this increase was grant income being greater than grant expenditures. The fund is used to administer the County's grants. Analysis is difficult because grants vary greatly from year to year.

The health care sales tax fund had an unassigned fund balance of \$-0- while total fund balance was \$583,838. As a measure of the health care sales tax fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 0 percent of total health care sales tax fund expenditures, while total fund balance represents 293 percent of that same amount.

The fund balance of the health care sales tax fund increased by \$106,891 during the current year. The primary reason for the increase was an increase in sales taxes of \$113,988.

Proprietary funds: Aransas County, Texas' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Airport fund at the end of the year amounted to \$770,477. The total decrease in net position for the Airport Fund was \$578,463. Key factors in this overall decline are as follows:

1. This decrease is mainly attributable to depreciation expense of \$677,536.

Unrestricted net position of the Commissary fund at the end of the year amounted to \$64,556. The total decrease in net position for the Commissary Fund was \$41,368. Key factors in this overall decrease are as follows:

1. This decrease is mainly attributable to an increase in expenses of \$38,636.

Other factors concerning the finances of these funds have already been addressed in the discussion of Aransas County, Texas' business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget for the general fund were an increase of \$258,743. This increase was mainly from an increase in budgetary expenditures of \$74,374 in Judicial County Court and \$66,815 in District Court. The total general fund expenditures of \$14,143,430 were less than the budgeted expenditures of \$14,874,205 by \$730,775.

Capital Asset and Debt Administration

Capital assets:

Aransas County, Texas' investment in capital assets for its governmental activities and Business-type activities as of December 31, 2016, amounts to \$35,451,115 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, and infrastructure items such as roads, and bridges. The total decrease in Aransas County's investment in capital assets for the current fiscal year was 2.22 percent (a .68 percent decrease for governmental activities and a 7.32 percent decrease for business-type activities).

The county had several major capital expenditures during the year.

Additional information on Aransas County, Texas' capital assets can be found in note IV C on pages 50-51 of this report.

ARANSAS COUNTY, TEXAS CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$2,821,292	\$2,648,888	\$125,710	\$125,710	\$2,947,002	\$2,774,598
Construction in Progress	548,374	740,903			548,374	740,903
Intangible	112,548	192,600			112,548	192,600
Building and Improvements	11,437,634	11,780,489	884,820	946,739	12,322,454	12,727,228
Machinery, Equipment and Vehicles	3,346,103	3,176,691	185,592	180,586	3,531,695	3,357,277
Infrastructure	9,408,302	9,325,436	6,580,740	7,138,323	15,989,042	16,463,759
Total	\$27,674,253	\$27,865,007	\$7,776,862	\$8,391,358	\$35,451,115	\$36,256,365

Long-term debt:

At the end of the current fiscal year, Aransas County, Texas had total bonded debt outstanding of \$22,549,999. Of this amount, \$20,329,999 comprises debt backed by the full faith and credit of Aransas County, Texas.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>	<u>Due After One Year</u>
<u>Governmental Activities:</u>								
Certificates of Obligation	\$17,687,504	\$2,600,000	\$1,244,938	\$4,411,398	\$3,973,083	\$19,480,881	\$1,470,130	\$18,010,751
Revenue Bonds	2,335,000	0	115,000	0	0	2,220,000	115,000	2,105,000
Total Bonds Payable	<u>20,022,504</u>	<u>2,600,000</u>	<u>1,359,938</u>	<u>4,411,398</u>	<u>3,973,083</u>	<u>21,700,881</u>	<u>1,585,130</u>	<u>20,115,751</u>
<u>Business-Type Activities:</u>								
Certificates of Obligation	837,496	0	65,063	773,602	696,917	849,118	64,871	784,247
Total Bonds Payable	<u>837,496</u>	<u>0</u>	<u>65,063</u>	<u>773,602</u>	<u>696,917</u>	<u>849,118</u>	<u>64,871</u>	<u>784,247</u>
Grand Total	<u>\$20,860,000</u>	<u>\$2,600,000</u>	<u>\$1,425,001</u>	<u>\$5,185,000</u>	<u>\$4,670,000</u>	<u>\$22,549,999</u>	<u>\$1,650,001</u>	<u>\$20,899,998</u>

Aransas County, Texas' bonded short-term and long-term debt increased by \$1,689,999 (8.10 percent) during the current fiscal year. The key factor in this increase was the issuance of debt principal of \$2,600,000. Additional information on Aransas County, Texas' Long-term debt can be found in note IV F on pages 53-54 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget and tax rates. One of those factors is the economy. The economy has remained steady.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County's business office, at Aransas County, Texas, 301 N. Live Oak Street Rockport, Texas 78382.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ARANSAS COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government		
	Governmental	Business-Type	Total
	Activities	Activities	
ASSETS			
Cash and Cash Equivalents	\$20,546,947	\$780,226	\$21,327,173
Receivables (Net of allowance for Uncollectibles)	10,608,342	11,115	10,619,457
Prepaid Items	27,893	6,367	34,260
Inventory	55,700	28,859	84,559
Restricted Assets:			
Cash and Cash Equivalents	2,435,308		2,435,308
Capital Assets Not Being Depreciated:			
Land	2,821,292	125,710	2,947,002
Construction in Progress	548,374		548,374
Total Capital Assets Being Depreciated, Net			
Intangible	112,548		112,548
Building and Improvements	11,437,634	884,820	12,322,454
Machinery, Equipment and Vehicles	3,346,103	185,592	3,531,695
Infrastructure	9,408,302	6,580,740	15,989,042
Total Assets	\$61,348,443	\$8,603,429	\$69,951,872
DEFERRED OUTFLOWS OF RESOURCES			
GASB 68			
Contributions (after 12/31/15)	1,230,970	36,373	1,267,343
Net difference between projected and actual earnings	1,785,241	52,750	1,837,991
Changes of assumptions	188,945	5,583	194,528
Loss on Bond Refunding	407,006	71,208	478,214
Total Deferred Outflows of Resources	3,612,162	165,914	3,778,076
LIABILITIES:			
Accounts Payable	\$680,693	\$69,726	\$750,419
Accrued Wages	296,599	8,195	304,794
Accrued Interest Payable	69,544	1,992	71,536
Noncurrent Liabilities:			
Due Within One Year	1,653,270	70,825	1,724,095
Due in More Than One Year	22,947,622	870,912	23,818,534
Total Liabilities	25,647,728	1,021,650	26,669,378
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Advanced Tax Collections	4,242,880		4,242,880
Deferred Inflow-Actual Experience vs. Assumption	278,417	8,227	286,644
Total Deferred Inflows of Resources	4,521,297	8,227	4,529,524
NET POSITION			
Net Investment in Capital Assets	6,411,687	6,904,433	13,316,120
Restricted			
Construction	1,657,107		1,657,107
Culture and Recreation	50,312		50,312
Debt Service	1,931,722		1,931,722
Future Projects	2,995,280		2,995,280
General Administration	200		200
Health	1,648,529		1,648,529
Judicial	458,846		458,846
Legal	1,520		1,520
Public Safety	189,843		189,843
Public Transportation	3,138,651		3,138,651
Records Management	415,733		415,733
Tourism and Education	861,940		861,940
Unrestricted	15,030,210	835,033	15,865,243
Total Net Position	\$34,791,580	\$7,739,466	\$42,531,046

The accompanying notes are an integral part of this statement.

ARANSAS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Net (Expense) Revenue and Changes in Net Position
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Government Activities:							
General Administration	\$1,873,828	\$406,404	\$0	\$0	(\$1,467,424)		(\$1,467,424)
Legal	741,753	29,562			(712,191)		(712,191)
Judicial	1,301,820	613,728	112,547		(575,545)		(575,545)
Financial Administration	2,336,257	168,269			(2,167,988)		(2,167,988)
Public Facilities	1,892,485			850,721	(1,041,764)		(1,041,764)
Public Safety	7,460,807	2,260,429	292,762		(4,907,616)		(4,907,616)
Public Transportation	3,425,158	1,004,466	535,714		(1,884,978)		(1,884,978)
Environmental Protection	628,168	659,678			31,510		31,510
Culture and Recreation	291,115	4,162	250		(286,703)		(286,703)
Health and Welfare	1,185,156	815	15,380		(1,168,961)		(1,168,961)
Conservation - Agriculture	119,452				(119,452)		(119,452)
Interest and Fiscal Charges	599,246				(599,246)		(599,246)
Total Government Activities	<u>21,855,245</u>	<u>5,147,513</u>	<u>956,653</u>	<u>850,721</u>	<u>(14,900,358)</u>	<u>0</u>	<u>(13,432,934)</u>
Business-Type Activities:							
Airport	1,512,323	831,038		100,665		(580,620)	(580,620)
Jail Commissary	330,544	289,176				(41,368)	(41,368)
Total Business-Type Activities:	<u>1,842,867</u>	<u>1,120,214</u>	<u>0</u>	<u>100,665</u>	<u>0</u>	<u>(621,988)</u>	<u>(621,988)</u>
Total Primary Government	<u>\$23,698,112</u>	<u>\$6,267,727</u>	<u>\$956,653</u>	<u>\$951,386</u>	<u>(14,900,358)</u>	<u>(621,988)</u>	<u>(14,054,922)</u>
General Revenues							
Taxes							
Property Taxes					12,046,841		12,046,841
Sales					3,028,403		3,028,403
Hotel/Motel					402,782		402,782
Venue					461,456		461,456
Other					141,857		141,857
Unrestricted Investment Earnings					138,973	4,463	143,436
Miscellaneous					422,345		422,345
Transfers					2,306	(2,306)	0
Total General Revenues and Transfers					<u>16,644,963</u>	<u>2,157</u>	<u>16,647,120</u>
Change in Net Position					1,744,605	(619,831)	1,124,774
Net Position - Beginning					33,046,975	8,359,297	41,406,272
Net Position - Ending					<u>\$34,791,580</u>	<u>\$7,739,466</u>	<u>\$42,531,046</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

ARANSAS COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General Fund	Road and Bridge	Flood Capital Project	Capital Projects Fund	Health Care Sales Tax	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$8,177,473	\$3,827,744	\$0	\$0	\$482,155	\$8,195,838	\$20,683,210
Receivables (Net of Allowance for Uncollectibles)	6,336,406	1,336,234			113,518	19,160	7,805,318
Pre-Paid Items	25,197	2,696					27,893
Inventory	10,302	45,398					55,700
Restricted Assets:							
Cash and Cash Equivalents			1,204,162			1,231,146	2,435,308
Total Assets	\$14,549,378	\$5,212,072	\$1,204,162	\$0	\$595,673	\$9,446,144	\$31,007,429
LIABILITIES							
Liabilities							
Accounts Payable	\$298,947	\$122,311	\$22,862	\$41,790	\$11,835	\$182,948	\$680,693
Accrued Wages	253,764	30,069				12,766	296,599
Bank Overdraft				118,462		17,801	136,263
Total Liabilities	552,711	152,380	22,862	160,252	11,835	213,515	1,113,555
DEFERRED INFLOWS OF RESOURCES							
Deferred Property Taxes	5,796,597	1,278,883					7,075,480
Unavailable Revenue - Advanced Tax Collections	2,844,280	594,064				804,536	4,242,880
Total Deferred Inflows of Resources	8,640,877	1,872,947	0	0	0	804,536	11,318,360
FUND BALANCES:							
Fund Balances:							
Non-Spendable							
Prepaid Items	25,197	2,696					27,893
Inventory	10,302	45,398					55,700
Restricted							
Construction			1,181,300			475,807	1,657,107
Culture and Recreation						50,312	50,312
Debt Service						1,931,722	1,931,722
Future Projects						2,995,280	2,995,280
General Administration						200	200
Health					583,838	1,064,691	1,648,529
Judicial						458,846	458,846
Legal						1,520	1,520
Public Safety						189,843	189,843
Public Transportation		3,138,651					3,138,651
Records Management						415,733	415,733
Tourism and Education						861,940	861,940
Unassigned	5,320,291			(160,252)		(17,801)	5,142,238
Total Fund Balance	5,355,790	3,186,745	1,181,300	(160,252)	583,838	8,428,093	18,575,514
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$14,549,378	\$5,212,072	\$1,204,162	\$0	\$595,673	\$9,446,144	\$31,007,429

The accompanying notes are an integral part of this statement.

ARANSAS COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 DECEMBER 31, 2016

Total Fund Balances - Governmental Funds Balance Sheet	\$18,575,514
Amounts reported for governmental activities in the statement of net position ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	27,674,253
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	5,334,769
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	7,075,480
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(24,670,436)
Lease receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>802,000</u>
Net Position of Governmental Activities - Statement of Net Position	<u><u>\$34,791,580</u></u>

The accompanying notes are an integral part of this statement.

ARANSAS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Road and Bridge	Flood Capital Project	Capital Projects Fund	Health Care Sales Tax	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes							
Property	\$8,259,698	\$1,702,824				\$1,576,322	\$11,538,844
Sales	1,486,167				1,542,236		3,028,403
Hotel/Motel						402,782	402,782
Venue		0				461,456	461,456
Other	141,857						141,857
Intergovernmental	127,927	535,714		1,143,733			1,807,374
Licenses and Permits		556,563					556,563
Charges for Services	3,578,985	124,595				284,208	3,987,788
Fines and Forfeitures	237,115	146,986					384,101
Interest	56,844	25,419	5,895			26,938	115,096
Miscellaneous	348,682	7,823				171,717	528,222
Total Revenues	14,237,275	3,099,924	5,895	1,143,733	1,542,236	2,923,423	22,952,486
EXPENDITURES							
Current:							
General Administration	1,524,954					312,054	1,837,008
Legal	703,987					25,347	729,334
Judicial	1,126,802					171,410	1,298,212
Financial Administration	2,237,089						2,237,089
Public Facilities	595,524						595,524
Public Safety	6,469,217			285,712		319,874	7,074,803
Public Transportation	449,221	2,443,385					2,892,606
Environmental Protection	608,433						608,433
Culture and Recreation	45,740					186,874	232,614
Health and Welfare	281,913				199,550	635,821	1,117,284
Conservation - Agriculture	100,550						100,550
Capital Projects -							
Capital Outlay and Other			274,392	809,514		1,197,012	2,280,918
Debt Service							
Principal Retirement						1,359,938	1,359,938
Interest Retirement						576,008	576,008
Total Expenditures	14,143,430	2,443,385	274,392	1,095,226	199,550	4,784,338	22,940,321
Excess (Deficiency) of Revenues Over (Under) Expenditures	93,845	656,539	(268,497)	48,507	1,342,686	(1,860,915)	12,165
OTHER FINANCING SOURCES (USES):							
Other Financing Sources - Bond Proceeds						2,600,000	2,600,000
Bond Issuance Costs						(50,000)	(50,000)
Transfers In	627,327					2,357,971	2,985,298
Transfers Out	(390,385)	(466,498)			(1,235,795)	(890,314)	(2,982,992)
Total Other Financing Sources (Uses)	236,942	(466,498)	0	0	(1,235,795)	4,017,657	2,552,306
Net Changes in Fund Balances	330,787	190,041	(268,497)	48,507	106,891	2,156,742	2,564,471
Fund Balances - Beginning	5,025,003	2,996,704	1,449,797	(208,759)	476,947	6,271,351	16,011,043
Fund Balances - Ending	\$5,355,790	\$3,186,745	\$1,181,300	(\$160,252)	\$583,838	\$8,428,093	\$18,575,514

The accompanying notes are an integral part of this statement.

ARANSAS 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 DECEMBER 31, 2016

Net Changes in Fund Balances - Total Governmental Funds \$2,564,471

Amounts reported for governmental activities in the statement of net position
 ("SNA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(190,754)
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	39,343
Deferred Outflow-Net difference between projected and actual earnings. This is the change in these amounts this year.	1,545,308
Deferred Outflow-Changes of assumptions. This is the change in these amounts this year.	188,945
Deferred Outflow-Loss on Bond Refunding. This is the change in these amounts this year.	(31,309)
Deferred Inflow-Actual Experience vs. Assumption. This is the change in these amounts this year.	(192,476)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	219,061
Increase in loan principal are receipts in the funds but not revenue in the SOA.	(2,600,000)
Bond premiums are reported in the funds but not in the SOA.	42,425
(Increase) decrease in compensated absences from beginning of period to end of period.	(24,328)
(Increase) decrease in accrued interest from beginning of period to end of period.	15,646
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	507,997
Lease receivable revenues are deferred in the funds. This is the change in these amounts this year.	(82,000)
(Increase) decrease in net pension liability from beginning of period to end of period.	(1,617,662)
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	1,359,938
	\$1,744,605
Change in Net Position of Governmental Activities - Statement of Activities	\$1,744,605

The accompanying notes are an integral part of this statement.

ARANSAS COUNTY, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Property	\$8,246,277	\$8,286,065	\$8,259,698	(\$26,367)
Sales	1,453,821	1,453,821	1,486,167	32,346
Other	127,200	133,200	141,857	8,657
Intergovernmental	125,500	130,300	127,927	(2,373)
Charges for Services	4,074,503	4,179,463	3,578,985	(600,478)
Fines and Forfeitures	304,850	304,850	237,115	(67,735)
Interest	41,000	41,000	56,844	15,844
Miscellaneous	135,900	239,095	348,682	109,587
Total Revenues	14,509,051	14,767,794	14,237,275	(530,519)

EXPENDITURES

Current:

General Administration				
Commissioner's Court	337,866	299,177	280,129	19,048
County Clerk	273,500	273,500	269,026	4,474
County Surveyor	300	300	262	38
Elections	161,026	164,698	164,263	435
Judicial County Court	394,295	468,669	459,348	9,321
Non-Departmental	346,285	346,836	328,647	18,189
Veteran's Service	24,033	24,042	23,279	763
Legal				
County Attorney	658,452	710,746	703,987	6,759
Judicial				
District Clerk	393,722	410,601	404,591	6,010
District Court	308,521	375,336	363,725	11,611
Justice's of the Peace No. 1	191,838	199,460	189,336	10,124
Justice's of the Peace No. 2	175,673	180,988	169,150	11,838
Financial Administration				
Collections	56,902	56,906	52,029	4,877
County Auditor	336,956	337,048	330,226	6,822
County Treasurer	199,605	202,479	201,775	704
Human Resources	84,227	84,232	76,692	7,540
Information Technology	1,022,262	1,022,330	924,030	98,300
Tax Appraisal Office	180,000	181,352	181,352	0
Tax Assessor-Collector	487,441	490,346	470,985	19,361
Public Facilities				
Public Facilities	612,364	631,389	595,524	35,865
Public Safety				
Alcohol Breath Testing	10,765	10,765	10,765	0
Animal Control	252,335	252,365	222,638	29,727
Constable No. 1	43,536	43,536	42,502	1,034
Constable No. 2	34,003	34,003	31,021	2,982
Corrections	232,746	232,746	207,596	25,150
D.P.S.	48,676	48,700	47,566	1,134
Dispatchers	343,493	343,493	338,891	4,602
Emergency Management	8,806	8,809	7,945	864
Fire Protection	103,798	103,800	103,791	9
Jail	3,636,223	3,634,173	3,451,181	182,992
License & Weight	76,016	76,032	62,920	13,112
Sheriff	2,055,584	2,056,406	1,942,401	114,005

(continued)

(continued)

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Transportation				
Fleet Operation & Maintenance	\$477,714	\$477,771	\$449,221	\$28,550
Environmental Protection				
Sanitation	562,488	610,462	608,433	2,029
Culture and Recreation				
Historical Commission	8,000	8,000	5,102	2,898
Parks	40,700	40,700	40,638	62
Health and Welfare				
Health & Sanitation Inspection	319,711	316,407	280,713	35,694
Health & Welfare	1,200	1,200	1,200	0
Conservation - Agriculture				
Agriculture Extension Service	114,400	114,402	100,550	13,852
Total Expenditures	<u>14,615,462</u>	<u>14,874,205</u>	<u>14,143,430</u>	<u>730,775</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(106,411)</u>	<u>(106,411)</u>	<u>93,845</u>	<u>200,256</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	665,006	665,006	627,327	(37,679)
Transfers Out	<u>(390,385)</u>	<u>(390,385)</u>	<u>(390,385)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>274,621</u>	<u>274,621</u>	<u>236,942</u>	<u>(37,679)</u>
Net Changes in Fund Balances	168,210	168,210	330,787	162,577
Fund Balances - Beginning	5,025,003	5,025,003	5,025,003	
Fund Balances - Ending	<u>\$5,193,213</u>	<u>\$5,193,213</u>	<u>\$5,355,790</u>	<u>\$162,577</u>

The accompanying notes are an integral part of this statement.

ARANSAS COUNTY, TEXAS
ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Property	\$1,409,262	\$1,409,262	\$1,425,752	\$16,490
Intergovernmental	363,000	400,373	535,714	135,341
Licenses and Permits	556,000	556,000	556,563	563
Fines and Forfeitures	189,000	189,000	146,986	(42,014)
Interest	8,000	8,000	18,873	10,873
Miscellaneous	500	500	7,823	7,323
Total Revenues	2,525,762	2,563,135	2,691,711	128,576
EXPENDITURES				
Current				
Public Transportation				
Road and Bridge	2,443,862	2,481,235	2,310,800	170,435
Total Expenditures	2,443,862	2,481,235	2,310,800	170,435
Excess (Deficiency) of Revenues Over (Under) Expenditures	81,900	81,900	380,911	299,011
OTHER FINANCING SOURCES (USES):				
Other Financing Sources - Capital Lease				0
Transfers Out	(504,177)	(504,177)	(466,498)	37,679
Total Other Financing Sources (Uses)	(504,177)	(504,177)	(466,498)	37,679
Net Changes in Fund Balances	(422,277)	(422,277)	(85,587)	336,690
Fund Balances - Beginning	1,788,484	1,788,484	1,788,484	
Fund Balances - Ending	\$1,366,207	\$1,366,207	\$1,702,897	\$336,690

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

Note: The Road and Bridge fund (\$1,702,897) and the Flood Control fund (\$1,483,848) are combined into the Road and Bridge fund (\$3,186,745) above.

ARANSAS COUNTY, TEXAS
 FLOOD CONTROL FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Taxes				
Property	\$286,686	\$286,686	\$277,072	(\$9,614)
Charges for Services	1,500	1,500	124,595	123,095
Interest	1,500	1,500	6,546	5,046
Total Revenues	289,686	289,686	408,213	118,527
EXPENDITURES				
Current				
Public Transportation				
Road and Bridge	326,124	326,124	132,585	193,539
Total Expenditures	326,124	326,124	132,585	193,539
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,438)	(36,438)	275,628	312,066
OTHER FINANCING SOURCES (USES):				
Transfers Out				0
Total Other Financing Sources (Uses)	0	0	0	0
Net Changes in Fund Balances	(36,438)	(36,438)	275,628	312,066
Fund Balances - Beginning	1,208,220	1,208,220	1,208,220	
Fund Balances - Ending	\$1,171,782	\$1,171,782	\$1,483,848	\$312,066

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

Note: The Road and Bridge fund (\$1,702,897) and the Flood Control fund (\$1,483,848) are combined into the Road and Bridge fund (\$3,186,745) above.

ARANSAS COUNTY, TEXAS
HEALTH CARE SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final		Positive (Negative)
REVENUES				
Taxes				
Sales	\$1,477,765	\$1,478,440	\$1,542,236	\$63,796
Total Revenues	1,477,765	1,478,440	1,542,236	63,796
EXPENDITURES				
Current:				
Health and Welfare				
Health	188,150	188,825	199,550	(10,725)
Total Expenditures	188,150	188,825	199,550	(10,725)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,289,615	1,289,615	1,342,686	53,071
OTHER FINANCING SOURCES (USES):				
Transfers Out	(1,235,795)	(1,235,795)	(1,235,795)	0
Total Other Financing Sources (Uses)	(1,235,795)	(1,235,795)	(1,235,795)	0
Net Changes in Fund Balances	53,820	53,820	106,891	53,071
Fund Balances - Beginning	476,947	476,947	476,947	
Fund Balances - Ending	\$530,767	\$530,767	\$583,838	\$53,071

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

ARANSAS COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2016

	Airport Fund Current Year	Airport Fund Prior Year	Commissary Fund Current Year	Commissary Fund Prior Year	Total Proprietary Funds Current Year
ASSETS					
Current Assets					
Cash and Cash Equivalents	\$689,088	\$626,651	\$91,138	\$123,009	\$780,226
Receivables (Net of Allowance for Uncollectibles)	11,115	83,377			11,115
Prepaid Items	6,367	3,339	0	0	6,367
Inventory	28,859	46,251	0	0	28,859
Total Current Assets	735,429	759,618	91,138	123,009	826,567
Noncurrent Assets					
Capital Assets					
Land	125,710	125,710			125,710
Buildings and Improvements	2,387,900	2,387,900			2,387,900
Machinery and Equipment Infrastructure	920,779	864,319	40,894	40,894	961,673
	13,044,297	13,019,297			13,044,297
Total Capital Assets	16,478,686	16,397,226	40,894	40,894	16,519,580
Less Accumulated Depreciation					
Total Capital Assets (Net of Accumulated Depreciation)	(8,717,140)	(8,023,910)	(25,578)	(22,852)	(8,742,718)
Total Noncurrent Assets	7,761,546	8,373,316	15,316	18,042	7,776,862
DEFERRED OUTFLOWS OF RESOURCES					
GASB 68					
Contributions (after 12/31/14)		35,210			0
Contributions (after 12/31/15)	36,373				36,373
Net difference between projected and actual earnings	52,750	7,090			52,750
Changes of assumptions	5,583				5,583
Loss on Bond Refunding	71,208				71,208
Total Deferred Outflow of Resources	165,914	42,300	0	0	165,914
TOTAL ASSETS	\$8,662,889	\$9,175,234	\$106,454	\$141,051	\$8,769,343

(continued)

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LIABILITIES, FUND EQUITY
AND OTHER CREDITS

Liabilities

Current Liabilities (Payable from Current Assets)

Accounts Payable	\$43,144	\$37,198	\$26,582	\$19,811	\$69,726
Accrued Wages Payable	8,195	8,310			8,195
Compensated Absences	5,954	6,191			5,954
Accrued Interest Payable	1,992	4,784			1,992
Bonds Payable - Current	64,871	51,500			64,871
Total Current Liabilities	<u>124,156</u>	<u>107,983</u>	<u>26,582</u>	<u>19,811</u>	<u>150,738</u>

Noncurrent Liabilities

Bonds Payable (Net of Bond
Premium)

Net Pension Liability

Total Noncurrent Liabilities

	807,558	811,100			807,558
	63,354	15,555			63,354
Total Noncurrent Liabilities	<u>870,912</u>	<u>826,655</u>	<u>0</u>	<u>0</u>	<u>870,912</u>

TOTAL LIABILITIES

	<u>995,068</u>	<u>934,638</u>	<u>26,582</u>	<u>19,811</u>	<u>1,021,650</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflow-Actual Experience vs. Assumption

Total Deferred Inflow of Resources

	8,227	2,539			8,227
Total Deferred Inflow of Resources	<u>8,227</u>	<u>2,539</u>	<u>0</u>	<u>0</u>	<u>8,227</u>

Invested in Capital Assets, Net of Related Debt

Unrestricted

TOTAL NET POSITION

	6,889,117	7,510,716	15,316	18,042	6,904,433
	770,477	727,341	64,556	103,198	835,033
TOTAL NET POSITION	<u>\$7,659,594</u>	<u>\$8,238,057</u>	<u>\$79,872</u>	<u>\$121,240</u>	<u>\$7,739,466</u>

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

ARANSAS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Airport Fund Current Year	Airport Fund Prior Year	Commissary Fund Current Year	Commissary Fund Prior Year	Total Proprietary Funds Current Year
OPERATING REVENUES:					
Charges for Services	\$829,993	\$1,020,084	\$289,176	\$295,416	\$1,119,169
Miscellaneous	1,045	19,375			1,045
TOTAL OPERATING REVENUES	831,038	1,039,459	289,176	295,416	1,120,214
OPERATING EXPENSES					
Personal Services	263,813	314,941			263,813
Supplies	333,947	372,393	327,818	289,503	661,765
Other Services and Charges	214,830	236,672			214,830
Depreciation	677,536	677,250	2,726	2,405	680,262
TOTAL OPERATING EXPENSES	1,490,126	1,601,256	330,544	291,908	1,820,670
OPERATING INCOME (LOSS)	(659,088)	(561,797)	(41,368)	3,508	(700,456)
NON-OPERATING REVENUES (EXPENSES):					
Interest Income	4,463	2,206			4,463
TOTAL NON-OPERATING REVENUES (EXPENSES)	4,463	2,206	0	0	4,463
Income Before Transfers	(654,625)	(559,591)	(41,368)	3,508	(695,993)
Interest and Fiscal Charges	(22,197)	(32,012)			(22,197)
Intergovernmental and Contributions	100,665	92,428			100,665
Transfers In	(2,306)		0	0	(2,306)
Change in Net Position	(578,463)	(499,175)	(41,368)	3,508	(619,831)
Total Net Position - Beginning	8,238,057	8,737,232	121,240	117,732	8,359,297
Total Net Position - Ending	<u>\$7,659,594</u>	<u>\$8,238,057</u>	<u>\$79,872</u>	<u>\$121,240</u>	<u>\$7,739,466</u>

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

ARANSAS COUNTY, TEXAS
 COMBINING STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Airport Fund Current Year	Airport Fund Prior Year	Commissary Fund Current Year	Commissary Fund Prior Year	Total Proprietary Funds Current Year
Cash Flows from Operating Activities					
Receipts from Customers and Users	\$903,300	\$1,008,992	\$289,176	\$295,416	\$1,192,476
Payments to Suppliers	(602,467)	(636,762)	(321,047)	(278,247)	(923,514)
Payments to Employees	(263,084)	(309,391)	0	0	(263,084)
Net Cash Provided (Used) by Operating Activities:	37,749	62,839	(31,871)	17,169	5,878
Cash Flows from Non-Capital and Related Financing Activities					
Transfers In	(2,306)	0	0	0	(2,306)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	(2,306)	0	0	0	(2,306)
Cash Flows from Capital and Related Financing Activities					
Intergovernmental and Contributions	100,665	92,428	0	0	100,665
Net Cash Provided (Used) by Capital and Related Financing Activities	100,665	92,428	0	0	100,665
Cash Flows from Capital and Related Financing Activities					
Purchases of Capital Assets	(65,766)	(80,105)	0	0	(65,766)
Principal Payment on Revenue Bonds (Net of Bond Premium)	9,829	(42,663)			9,829
Interest and Fiscal Charges	(22,197)	(32,012)			(22,197)
Net Cash Provided (Used) by Capital and Related Financing Activities	(78,134)	(154,780)	0	0	(78,134)
Cash Flows from Investing Activities					
Interest Received	4,463	2,206	0	0	4,463
Net Cash Provided (Used) by Investing Activities	4,463	2,206	0	0	4,463
Net Increase (Decrease) in Cash Equivalents	62,437	2,693	(31,871)	17,169	30,566
Cash and Cash Equivalents at Beginning of Year	626,651	623,958	123,009	105,840	749,660
Cash and Cash Equivalents at End of Year	\$689,088	\$626,651	\$91,138	\$123,009	\$780,226

(continued)

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Reconciliation of Operating Income to Net Cash

Provided (Used) by Operating Activities

Operating Income (Loss)	(\$659,088)	(\$561,797)	(\$41,368)	\$3,508	(\$700,456)
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Adjustments to Reconcile to Net Cash Flow

Non-Cash Items Included in Net Income

Depreciation	677,536	677,250	2,726	2,405	680,262
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Changes in Current Items

Decrease(Increase) in Accounts Receivable	72,262	(30,467)	0	0	72,262
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Decrease(Increase) in Prepaid Insurance	(3,028)	(3,339)	0	0	(3,028)
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Decrease(Increase) in Inventories	17,392	0	0	0	17,392
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Decrease (Increase) Deferred Outflow of Resources-Contributions	(1,163)	(1,000)	0	0	(1,163)
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Decrease (Increase) Deferred Outflow-Net difference between			0		
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projected and actual earnings	(45,660)	(7,090)			(45,660)
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Decrease (Increase) Deferred Outflow-Changes of assumptions	(5,583)		0		(5,583)
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Decrease (Increase) Deferred Outflow-Loss on Bond Refunding	(71,208)		0		(71,208)
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Increase (Decrease) Deferred Inflow-Actual Exp. vs. Assumption	5,688	2,539	0		5,688
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Increase (Decrease) in Net pension Liability	47,799	1,164	0		47,799
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Increase(Decrease) in Accounts Payable	5,946	(14,407)	6,771	11,256	12,717
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Increase(Decrease) in Accrued Interest Payable	(2,792)	(9,951)		0	(2,792)
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Increase(Decrease) in Accrued Wages Payable	(115)	8,310	0	0	(115)
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Increase(Decrease) in Compensated Absences Payable	(237)	1,627	0	0	(237)
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Net Cash Provided (Used) by Operating Activities	<u>\$37,749</u>	<u>\$62,839</u>	<u>(\$31,871)</u>	<u>\$17,169</u>	<u>\$5,878</u>
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Noncash Investing, Capital and Financing Activities:

Federal Grants	<u>\$100,665</u>	<u>\$92,428</u>	<u>\$0</u>	<u>\$0</u>	<u>\$100,665</u>
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Note: The above funds are all enterprise funds

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

ARANSAS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

ASSETS

Cash and Cash Equivalents	\$5,987,676
Receivables (Net of Allowance for Uncollectibles)	0
Total Assets	<u>\$5,987,676</u>

LIABILITIES:

Accounts Payable	\$0
Due to Others	5,987,676
Total Liabilities	<u>\$5,987,676</u>

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

ARANSAS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

I. Summary of Significant Accounting Policies

A. Reporting entity

Aransas County operates under a County Judge – Commissioners’ Court type of government and provides the following services throughout the County: public safety (fire, ambulance, and law enforcement), public transportation (highways and roads), health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services. The accounting policies of Aransas County, Texas, (the County) conform to generally accepted accounting principles. The County also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

B. Government-wide and fund financial statements

The County’s government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental activities for the County accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the County’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the County are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities, which are presented as internal balances and eliminated in the total primary government column. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The County has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, sales taxes, intergovernmental revenues and charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

The *general fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The road and bridge fund administers property tax and motor vehicle license monies for the maintenance of the county’s roads and bridges.

The flood capital project fund is used for various flood projects.

The capital project fund is used for various capital project grants.

The health care sales tax fund is used to finance various health projects and court appointed attorneys.

C. Proprietary fund financial statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows for each major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the statement of net position. The statement of revenues, expenses and changes in fund net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the airport fund is rental fees and the primary revenue of the commissary fund is grocery sales. Operating expenses for enterprise funds include airport upkeep and grocery purchases. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major proprietary funds:

The airport fund is used to provide airport services to the Aransas County area.

The commissary fund is used to provide sundry supplies and services to the County’s inmates.

In addition, the County reports the following fund types:

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements.

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

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

State statutes authorize the Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value.

For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

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 non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at December 31, 2016 and 10 percent of the delinquent outstanding property taxes at December 31, 2016.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the County bills the taxpayers. The County begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

The restricted assets at December 31, 2016 consisted of \$2,435,308 for future construction.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

The County had several major capital expenditures during the year.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public Domain infrastructure	50
System infrastructure	30
Vehicles	5
Office equipment	5
Computer equipment	5

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government-wide financial statements.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

8. Fund Balances – Governmental Funds

As of December 31, 2016, fund balances of the governmental funds are classified as follows:

Nonspendable --- amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the revenue note and are restricted through debt covenants. Infrastructure Projects are restricted by State Statute and County laws and are legally segregated for funding of infrastructure improvements.

Unassigned — all other spendable amounts.

As of December 31, 2016, fund balances are composed of the following:

FUND BALANCES:	
Fund Balances:	
Non-Spendable	
Prepaid Items	\$27,893
Inventory	55,700
Restricted	
Construction	1,657,107
Culture and Recreation	50,312
Debt Service	1,931,722
Future Projects	2,995,280
General Administration	200
Health	1,648,529
Judicial	458,846
Legal	1,520
Public Safety	189,843
Public Transportation	3,138,651
Records Management	415,733
Tourism and Education	861,940
Unassigned	5,142,238
Total Fund Balance	<u>\$18,575,514</u>

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, as needed, unless Commissioners' Court or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2015, the Commissioners' Court adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to a percentage of the subsequent year's budgeted General Fund expenditures.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position 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 government only has one item that qualifies for reporting in this category. It is deferred under GASB 68.

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 government has two items that qualify for reporting in this category. One is deferred under GASB 68 and the other is advanced tax collections.

The County reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the County and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. We have included advanced tax collections as deferred inflows in the fund financial statements.

11. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable and net pension liability, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$24,670,436 difference are as follows:

Bonds Payable	\$21,700,881
Bond Premium	551,515
Accrued Interest Payable	69,544
Compensated Absences	204,419
Net Pension Liability	2,144,077
	<u>\$24,670,436</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds" report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$27,674,253 difference are as follows:

Capital Assets Not Being Depreciated	\$3,369,666
Capital Assets Being Depreciated	43,739,795
Depreciation Expense	(19,435,208)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u>\$27,674,253</u>

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

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles)." The details of this \$7,075,480 difference are as follows:

Property Taxes Receivable	\$7,227,120
Allowance for Doubtful Accounts	<u>(151,640)</u>
Net	<u>\$7,075,480</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this \$5,334,769 difference are as follows:

Fines Receivable	\$8,347,673
Allowance for Doubtful Accounts	(6,346,649)
GASB 68	
Contributions (after 12/31/15)	1,230,970
Net difference between projected and actual earnings	1,785,241
Changes of assumptions	188,945
Actual Experience vs. Assumption	(278,417)
Loss on Bond Refunding	<u>407,006</u>
Net	<u>\$5,334,769</u>

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this (\$190,754) difference are as follows:

Capital Outlay - Additions - Not Being Depreciated	\$317,729
Capital Outlay - Additions - Being Depreciated	1,436,116
Capital Outlay - Deletions - Transfers - Adjustments	(125,206)
Depreciation Expense	(1,819,393)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Assets of Governmental Activities	<u><u>(\$190,754)</u></u>

III. Stewardship, Compliance, and Accountability

A. Budgetary information

The original budget is adopted by the Commissioners' Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioners' Court.

The final amended budget is used in this report.

The budget should not be exceeded in any expenditure category under State law. Unused appropriations lapse at the end of each year.

The County Judge is, by statute, the Budget Officer of the County. He usually requests and relies on the assistance of the County Auditor to prepare the annual budget. After being furnished budget guidelines by the Commissioners' Court, the County Auditor prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the Commissioners' Court.

The Commissioners' Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioners' Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the County Auditor's estimate of revenues and available cash. The final budget can be legally amended by the Commissioners' Court to whatever extent the Court desires as long as the amended figures do not exceed the County Auditor's estimate of revenues and available cash.

When the Budget has been adopted by the Commissioners' Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the Commissioners' Court advised of the condition of the various funds and accounts. The level of control for each legally adopted annual operating budget is the fund.

Budgets for the 2016 fiscal year were adopted for the general fund, the road and bridge fund, the flood capital project fund, and the health care sales tax fund.

B. Excess of expenditures over appropriations

For the year ended December 31, 2016, expenditures did not exceed appropriations in any fund except for the health care sales tax fund whereby expenditures of \$199,550 exceeded the budgeted amount of \$188,825 by \$10,725.

C. Deficit fund equity

The county had no deficit fund balances as of December 31, 2016 except for the following: the capital projects fund - \$160,252, the chapter 19 voter registration fund - \$1,079, and the election service contract fund - \$16,722. These deficits are expected to be liquidated by future resources of the funds.

IV. Detailed Notes on All Funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments:

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) expected rates of return, (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) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. 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.

Policies Governing Deposits and Investments:

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has a deposit policy for custodial credit risk. As of December 31, 2016, the government's bank balance of \$23,029,443 was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$28,217,709 and the FDIC coverage is \$666,227.

Interest rate risk: In accordance with its investment policy, the government manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than twelve months.

Credit risk: State law limits investments in commercial paper and corporate bonds to the top two rating issued by nationally recognized statistical rating organizations (NRSROs). It is the government’s policy to limit its investments in these investment types to the top rating issued by NRSROs. As of December 31, 2016 the local investment pool - Texpool (2.03% of portfolio) was rated AAAM by Standard and Poor’s, Funds Management Group (.88% of portfolio) was rated AAAM by Standard and Poor’s, Texas Star (.18% of portfolio) was rated AAAM by Standard and Poor’s, Coastal Securities (34.82% of portfolio) was rated AAAM by Standard and Poor’s, LOGIC (22.61% of portfolio) was rated AAAM by Standard and Poor’s, National Alliance Securities (3.97% of portfolio) was rated AAAM by Standard and Poor’s, and Texas Class (35.51% of portfolio) was rated AAAM by Standard and Poor’s.

Concentration of credit risk: The County places no limit on the amount the County may invest in any one issuer. Texpool (2.03% of portfolio), Funds Management Group (.88% of portfolio), Texas Star (.18% of portfolio), Coastal Securities (34.82% of portfolio), LOGIC (22.61% of portfolio), National Alliance Securities (3.97% of portfolio), and Texas Class (35.51% of portfolio).

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2016, the government had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	<u>Weighted Average</u>
Texpool	\$ 260,784	Less than 1 year	Less than 1 year
Funds Management Group	\$ 112,723	Less than 1 year	Less than 1 year
Texas Star	\$ 22,447	Less than 1 year	Less than 1 year
Coastal Securities	\$4,469,347	Less than 1 year	Less than 1 year
LOGIC	\$2,901,357	Less than 1 year	Less than 1 year
Texas Class	\$4,557,878	Less than 1 year	Less than 1 year
National Alliance Sec.	\$ 509,775	Less than 1 year	Less than 1 year

The County participates in three Local Government Investment Pools: TexPool, Texas Star, and Texas Class. The County invests in TexPool, Texas Star, and Texas Class to provide its liquidity needs. It is a local government investment pool established in conformity with the Inter-local Cooperation Act Chapter 791 of the Texas Government Code and the Public Investment Act Chapter 2256 of the Code. TexPool and Texas Class are a 2(a) 7 like funds meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are adjusted daily and the fund seeks to maintain a constant net asset value of \$1.00, although this cannot be guaranteed. The County considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder short of a significant change in value. The TexPool, Texas Star, and Texas Class funds are within the governmental activities and Business-type activities.

B. Receivables

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

	Governmental Activities				Business-type	Total
	General Fund	Road and Bridge	Health Care Sales Tax	Other Governmental Funds	Airport Fund	
<u>Receivables</u>						
Ad Valorem Taxes	5,919,921	\$1,307,199				\$7,227,120
Sales Tax	113,295		113,518			226,813
Fines	8,347,673					8,347,673
Accounts					11,115	11,115
Capital Lease Receivable	802,000					802,000
Charges for Services	275,384	57,351				332,735
Other	151,130			19,160		170,290
Gross Receivables	15,609,403	1,364,550	113,518	19,160	11,115	17,117,746
Less: Allowance for Uncollectibles	6,469,973	28,316				6,498,289
Net Total Receivables	\$9,139,430	\$1,336,234	\$113,518	\$19,160	\$11,115	\$10,619,457

C. Capital assets

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

Governmental Activities: Capital Assets Not Being Depreciated:	Beginning			Adjustments		County Asset Transfer	Ending Balances
	Balances	Increases	Decreases	Increases	Decreases		
Land	\$2,648,888	\$172,404					\$2,821,292
Construction in Progress	740,903	145,325	337,854				548,374
Total Capital Assets Not Being Depreciated:	3,389,791	317,729	337,854	0	0	0	3,369,666

Capital Assets Being Depreciated:							
Intangible	579,202						579,202
Building and Improvements	17,752,296	133,725					17,886,021
Machinery, Equipment and Vehicles	11,026,007	1,302,391	258,826		973,416	57,041	11,039,115
Infrastructure	13,897,603	337,854					14,235,457
Total Capital Assets Being Depreciated:	43,255,108	1,773,970	258,826	0	973,416	57,041	43,739,795

Less: Accumulated Depreciation for:							
Intangible	386,602	80,052					466,654
Building and Improvements	5,971,807	476,580					6,448,387
Machinery, Equipment and Vehicles	7,849,316	1,007,773	238,305		871,790	53,982	7,693,012
Infrastructure	4,572,167	254,988					4,827,155
Total Accumulated Depreciation	18,779,892	1,819,393	238,305	0	871,790	53,982	19,435,208
Total Capital Assets Depreciated, Net	24,475,216	(45,423)	20,521	0	101,626	3,059	24,304,587
Governmental Activities Capital Assets, Net	\$27,865,007	\$272,306	\$358,375	\$0	\$101,626	\$3,059	\$27,674,253

Business-Type Activities: Capital Assets Not Being Depreciated:	Beginning		Prior Year Adjustments		County Asset Transfer	Ending Balances	
	Balances	Increases	Decreases	Balance			Increases
Land	\$125,710	\$0	\$0	\$125,710	\$0	\$0	\$125,710
Total Capital Assets Not Being Depreciated:	125,710	0	0	125,710	0	0	125,710

Capital Assets Being Depreciated:							
Building and Improvements	2,387,900			2,387,900	0	0	2,387,900
Machinery, Equipment and Vehicles	905,213		9,160	896,053	43,579	35,000	961,672
Infrastructure	13,019,297			13,019,297	25,000	0	13,044,297
Total Capital Assets Being Depreciated:	16,312,410	0	9,160	16,303,250	68,579	35,000	16,393,869

Less: Accumulated Depreciation for:							
Building and Improvements	1,441,161			1,441,161	61,919		1,503,080
Machinery, Equipment and Vehicles	724,627		5,038	719,589	35,760	33,250	776,080
Infrastructure	5,880,974			5,880,974	582,583	0	6,463,557
Total Accumulated Depreciation	8,046,762	0	5,038	8,041,724	680,262	33,250	8,742,717
Total Capital Assets Depreciated, Net	8,265,648	0	4,122	8,261,526	(611,683)	1,750	7,651,152
Business-Type Activities, Net	\$8,391,358	\$0	\$4,122	\$8,387,236	(\$611,683)	\$1,750	\$7,776,862

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

Governmental Activities	
General Administration	\$235,054
Judicial	591
Financial Administration	90,338
Public Facilities	34,151
Public Safety	572,588
Public Transportation	713,795
Environmental Protection	18,575
Culture and Recreation	70,340
Health and Welfare	65,370
Conservation - Agriculture	18,591
Total Depreciation Expense – Governmental Activities	<u>\$1,819,393</u>
Business-Type Activities	
Airport	\$677,536
Jail Commissary	\$2,726
Total Depreciation Expense – Business-Type Activities	<u>\$680,262</u>

Construction commitments

The county had several major capital expenditures during the year. These include drainage and a Mesquite bypass project.

D. Interfund receivables, payables, and transfers

There was no Due to/from other funds at December 31, 2016.

There were no advances at December 31, 2016.

The interfund transfers are as follows:

	TRANSFER IN		TOTAL
	General Fund	Other Governmental Funds	
TRANSFER OUT			
General Fund		\$390,385	\$390,385
Road and Bridge Fund		466,498	466,498
Health Care Sales Tax Fund		1,235,795	1,235,795
Other Governmental Funds	627,327	890,314	1,517,641
Airport Fund		2,306	2,306
TOTALS	<u>\$627,327</u>	<u>\$2,985,298</u>	<u>\$3,612,625</u>

All of the above transfers were for operating capital and are non-recurring.

E. Operating leases

There were no operating leases. Rent expenditures were \$0 for the year ended December 31, 2016. Sublease rental income was \$0 for the year ended December 31, 2016.

F. Long-term debt

Certificates of Obligation, Venue Project Revenue, and Limited Tax Refunding Bonds

The government issues Certificates of Obligation, Venue Project Revenue, and Limited Tax Refunding Bonds which is to provide funds for various construction projects. The Certificates of Obligation are serviced by airport fund, the flood control I&S fund, venue CO's I&S fund, the LTD Tax Refunding bonds Series 2012, the 2012 Bond I&S fund, the 2007 CO's I&S fund, the 2009 CO's I&S fund, the LTD Tax Refunding bonds Series 2016, and the 2016 CO's I&S fund.

<u>Purpose</u>	<u>Rates</u>	<u>Original Amount</u>	<u>Balance</u>
Certificates of Obligation, Series 2007	4.10 – 5.00%	\$2,995,000	\$ 145,000
Certificates of Obligation, Series 2009	2.50 – 5.00%	\$4,475,000	\$ 625,000
Certificates of Obligation, Series 2011	2.00 – 4.00%	\$5,480,000	\$4,415,000
Venue Project Revenue Bonds, Series 2011	2.00 – 4.00%	\$2,770,000	\$2,220,000
Limited Tax Refunding Bonds, Series 2012	2.00 – 3.00%	\$7,255,000	\$5,410,000
Limited Tax Refunding Bonds, Series 2016	1.595%	\$5,185,000	\$5,080,000
Certificates of Obligation, Series 2012	2.00 – 3.00%	\$2,205,000	\$2,090,000
Certificates of Obligation, Series 2016	0.70 – 2.00%	\$2,600,000	\$2,600,000

There were no special covenants on the above debt and the security is the ad valorem tax revenues of the County.

The County refunded a significant portion of both the Certificates of Obligation, Series 2007 (\$1,895,000) and the Certificates of Obligation, Series 2009 (\$2,775,000) with the Limited Tax Refunding Bonds, Series 2016 (\$5,185,000). The overall present value savings expected by the refunding is \$606,784.

Annual debt service requirements to maturity for the above debt are as follows:

Year Ending December 31,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$1,585,130	\$727,530	\$64,870	\$48,468
2018	1,625,944	630,027	54,056	25,538
2019	1,659,192	594,536	55,808	23,192
2020	1,685,622	440,676	69,378	10,203
2021	1,719,130	406,407	70,870	9,085
2022-2026	8,315,730	1,372,667	369,270	28,039
2027-2031	5,110,134	380,463	164,866	3,409
TOTALS	\$21,700,882	\$4,552,306	\$849,118	\$147,934

Changes in long-term liabilities:

	Beginning Balance	Additions	Deductions	Bond Refunding		Ending Balance	Due Within One Year	Due After One Year
				Additions	Deductions			
<u>Governmental Activities:</u>								
Certificates of Obligation	\$17,687,504	\$2,600,000	\$1,244,938	\$4,411,398	\$3,973,083	\$19,480,881	\$1,470,130	\$18,010,751
Revenue Bonds	2,335,000		115,000			2,220,000	115,000	2,105,000
Add: Bond Premium	593,940		42,425			551,515		551,515
Total Bonds Payable	20,616,444	2,600,000	1,402,363	4,411,398	3,973,083	22,252,396	1,585,130	20,667,266
Net Pension Payable	526,415	1,617,662				2,144,077		2,144,077
Compensated Absences	180,091	204,419	180,091			204,419	68,140	136,279
	21,322,950	4,422,081	1,582,454	4,411,398	3,973,083	24,600,892	1,653,270	22,947,622
<u>Business-Type Activities:</u>								
Certificates of Obligation	837,496		65,063	773,602	696,917	849,118	64,871	784,247
Add: Bond Premium	25,104		1,793			23,311		23,311
Total Bonds Payable	862,600	0	66,856	773,602	696,917	872,429	64,871	807,558
Net Pension Payable	15,555	47,799				63,354		63,354
Compensated Absences	6,191	5,954	6,191			5,954	5,954	0
	884,346	53,753	73,047	773,602	696,917	941,737	70,825	870,912
Grand Total	\$22,207,296	\$4,475,834	\$1,655,501	\$5,185,000	\$4,670,000	\$25,542,629	\$1,724,095	\$23,818,534

The general fund and the road and bridge fund are used to service the compensated absences. The estimated amount due in the 2016 -17 year is 36% or \$74,094.

The government-wide statement of activities includes \$1,724,095 as "noncurrent liabilities, due within one year".

V. Other Information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no instances where settlements exceeded insurance coverage in any of the three previous years.

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.

	Year ended <u>12/31/15</u>	Year ended <u>12/31/16</u>
Unpaid Claims, Beginning of Fiscal Year	\$ -0-	\$ -0-
Incurred Claims (including IBNRs)		
Claim Payments	<u>-0-</u>	<u>-0-</u>
Unpaid Claims, End of Fiscal Year	<u>\$ -0-</u>	<u>\$ -0-</u>

1. General Liability Insurance

The County is insured for general, police officers and automobile liability.

The County pays for auto vehicle insurance coverage. The agreement with Texas Association of Counties will be self-sustaining through member premiums and will reinsure through commercial companies for claims of combined single limits for each insurance event. The County anticipates no contingent losses.

2. Property and Casualty Insurance

Property, casualty, mobile equipment insurance is provided by Texas Association of Counties.

3. Workers' Compensation Insurance

The County insures against workers' compensation claims through Texas Association of Counties.

4. Group Health and Life Insurance

The County maintains a health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

5. Unemployment Compensation Insurance

The County insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC).

B. Related party transaction

Most transactions are of the "arm's-length" variety. That is, it is assumed that both parties to the transaction are acting solely on basis of their self-interest. Occasionally, however, in the public and the private sectors, parties enter into transactions that an informed observer might reasonably believe reflect considerations other than self-interest. GAAP use the phrase *related party transactions* to describe such arrangements. While there is nothing inherently undesirable about related party transactions, they raise potential concerns regarding 1) the reasonability of the terms of the arrangement, and 2) the eventual collectibility of related receivables.

There were no related party transactions during the year.

C. Subsequent events

There were no subsequent events requiring disclosure.

D. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The government is a defendant in the following lawsuits:

Litigation

- 1) ***Joe Rabies and Elvira Robles v. Aransas County, et al*** - This is a lawsuit arising out of the Sheriff's Office. This case may be dismissed at the summary judgment phase. In the event the County is not dismissed, the defense of the County is being provided by Texas Association of Counties with whom Aransas County has a contractual liability agreement and it is the current opinion of the County that the liability limits provided by Texas Association of Counties should be more than adequate to cover any settlement or judgment arising out of this litigation.
- 2) ***2) Robert Ayala v. Aransas County, et al*** - This is a lawsuit arising out of the Sheriff's Office. This case may be dismissed at the summary judgment phase. In the event the County is not dismissed, the defense of the County is being provided by Texas Association of Counties with whom Aransas County has a contractual liability agreement and it is the current opinion of the County that the liability limits provided by Texas Association of Counties should be more than adequate to cover any settlement or judgment arising out of this litigation.
- 3) ***Artavias Edwards v. Aransas County*** - This is a lawsuit arising out of the Jail. This case has been dismissed. However, there is currently an appeal pending. In the event the Appeal is not dismissed, the defense of the County is being provided by Texas Association of Counties with whom Aransas County has a contractual liability agreement and it is the current opinion of the County that the liability limits provided by Texas Association of Counties should be more than adequate to cover any settlement or judgment arising out of this litigation.
- 4.) ***Russell Buck v. Aransas County*** - This is an employment lawsuit arising out of the Sheriff's Office. The defense of the County was provided by Texas Association of Counties with whom Aransas County has a contractual liability agreement. The matter has been settled and County is responsible for \$10,000 of settlement payment.
- 5.) ***Ratliff v. Aransas County***-Case was filed in March 2017 and is pending. It arises out of an incident with Mr. Ratliff. Defendants will seek dismissal of the case. In the event the case is not dismissed, Aransas County intends to continue to vigorously contest and defend the case. Based upon the information to date, the likelihood of an unfavorable outcome is less than twenty-five percent (25%). Aransas County has contractual indemnity from the Texas Association of Counties for the claims asserted herein and all legal expenses incurred in this case are being borne by the Texas Association of Counties.

E. Other post employment benefits

None

F. City of Rockport – Notes receivable

On June 10, 2003, the County has contracted with the City of Rockport whereby the City will bear approximately 50% of the cost of Public Safety Center. The total cost of the Facility was \$1,821,990 and the City's share of the cost is \$1,634,451. The parties agreed that City's share of the cost would be payable through the year 2024 in annual installments. The amount still outstanding at December 31, 2016 is \$802,000.

The annual debt service requirements to maturity for the debt are as follows:

Year Ending December 31,	Governmental Activities	
	Principal	Interest
2017	\$85,000	\$35,414
2018	89,000	31,661
2019	93,000	27,679
2020	97,000	23,463
2021	102,000	18,985
2022-2026	336,000	26,181
TOTALS	<u>\$802,000</u>	<u>\$163,383</u>

G. Summary of TCDRS Funding Policy

**Net Pension Liability /
(Asset)**

Net Pension Liability / (Asset)	December 31, 2014	December 31, 2015
Total pension liability	\$23,165,512	\$24,908,066
Fiduciary net position	22,623,542	22,700,635
Net pension liability / (asset)	541,970	2,207,431
Fiduciary net position as a % of total pension liability	97.66%	91.14%
Pensionable covered payroll ⁽¹⁾	\$7,568,267	\$7,915,071
Net pension liability as a % of covered payroll	7.16%	27.89%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Note: Rounding differences may exist above or in other tables in this report.

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

Discount Rate

Discount rate ⁽¹⁾	8.10%	8.10%
Long-term expected rate of return, net of investment expense ⁽²⁾	8.10%	8.10%
Municipal bond rate ⁽³⁾	Does not apply	Does not apply

⁽²⁾ This rate reflects the long-term rate of return funding valuation assumption of 8.00%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68.

⁽³⁾ The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply. See page 6 of this report for further details.

Other Key Actuarial Assumptions

Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2015 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB 68.

See Appendix B of this report (Actuarial Methods and Assumptions Used for GASB Calculations) for a listing of key assumptions used in the calculation of the total pension liability and other GASB 68 metrics.

See Appendix C (Actuarial Methods and Assumptions Used for Funding Valuation) of this report for a full description of the actuarial assumptions used in the funding valuation.

	Beginning Date	Ending Date
Valuation date	Dec. 31,2014	Dec. 31, 2015
Measurement date	Dec. 31,2014	Dec. 31,2015
Employer's fiscal year	January 1, 2016	December 31, 2016

Depletion of Plan Assets / GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

As additional documentation for auditing purposes, we have shown the projection of the Fiduciary Net Position in the following exhibit ("Projection of Fiduciary Net Position").

Projection of Fiduciary Net Position*

Calendar Year Ending**	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses*** (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2016	\$22,700,635	\$1,222,704	\$1,555,875	\$22,701	\$1,824,619	\$24,169,382
2017	24,169,382	1,156,902	1,379,339	24,169	1,947,927	25,870,703
2018	25,870,703	1,129,335	1,522,830	25,871	2,078,873	27,530,211
2019	27,530,211	1,123,879	1,648,560	27,530	2,208,018	29,186,017
2020	29,186,017	1,131,641	1,777,704	29,186	2,337,252	30,848,020
2021	30,848,020	1,135,831	1,903,073	30,848	2,466,996	32,516,927
2022	32,516,927	1,111,768	2,028,788	32,517	2,596,164	34,163,553
2023	34,163,553	1,086,647	2,169,534	34,164	2,722,888	35,769,391
2024	35,769,391	1,064,503	2,326,375	35,769	2,845,789	37,317,539
2025	37,317,539	1,044,202	2,458,143	37,318	2,965,089	38,831,369
2035	49,423,497	662,908	3,640,299	49,423	3,883,104	50,279,787
2045	53,238,742	149,533	4,407,689	53,239	4,141,126	53,068,473
2055	48,602,770	33,114	4,422,117	48,603	3,760,600	47,925,765
2065	44,431,290	2,200	3,263,500	44,431	3,467,659	44,593,217
2075	55,459,433	0	1,779,948	55,459	4,419,327	58,043,353
2085	100,306,883	0	619,764	100,307	8,096,262	107,683,075
2095	210,915,517	0	101,990	210,916	17,071,731	227,674,342

* Projection values include no assumption for future cost-of-living adjustments.

** Note that only select years have been shown for formatting purposes

*** Administrative expenses are assumed to be 0.10% of Fiduciary Net Position.

Changes in Net Pension Liability / (Asset)

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) - (b)
Balances as of December 31, 2014	\$23,165,512	\$22,623,542	\$541,970
Changes for the year:			
Service cost	1,046,669		1,046,669
Interest on total pension liability ⁽¹⁾	1,882,888		1,882,888
Effect of plan changes ⁽²⁾	(156,151)		(156,151)
Effect of economic/demographic gains or losses	(303,544)		(303,544)
Effect of assumptions changes or inputs	259,370		259,370
Refund of contributions	(156,982)	(156,982)	0
Benefit payments	(829,696)	(829,696)	0
Administrative expenses		(16,321)	16,321
Member contributions		554,055	(554,055)
Net investment income		(205,841)	205,841
Employer contributions		672,781	(672,781)
Other ⁽³⁾	0	59,097	(59,097)
Balances as of December 31, 2015	\$24,908,066	\$22,700,635	\$2,207,431

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

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

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability of the county/district, calculated using the discount rate of 8.10%, as well as what the Aransas County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$28,059,425	\$24,908,066	\$22,279,647
Fiduciary net position	22,700,635	22,700,635	22,700,635
Net pension liability / (asset)	\$5,358,790	\$2,207,431	(\$420,988)

Pension Expense/ (Income)

Pension Expense / (Income)	January 1, 2015 to December 31, 2015
Service cost	\$1,046,669
Interest on total pension liability ⁽¹⁾	1,882,888
Effect of plan changes	(156,151)
Administrative expenses	16,321
Member contributions	(554,055)
Expected investment return net of investment expenses	(1,860,064)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(105,379)
Recognition of assumption changes or inputs	64,843
Recognition of investment gains or losses	474,937
Other ⁽²⁾	(59,097)
Pension expense / (income)	\$750,911

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

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

As of December 31, 2015, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$286,644	\$0
Changes of assumptions	0	194,528
Net difference between projected and actual earnings	0	1,837,991
Contributions made subsequent to measurement date ⁽³⁾	N/A	Employer determined

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2016	\$434,400
2017	434,400
2018	463,893
2019	413,181
2020	0
Thereafter ⁽⁴⁾	0

⁽³⁾ Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of this report.

⁽⁴⁾ Total remaining balance to be recognized in future years, if any. Note that additional future deferred inflows and outflows of resources may impact these numbers.

Schedule of Deferred Inflows and Outflows of Resources

Original Amount	Date Established	Original Recognition Period ⁽¹⁾	Amount Recognized in 12/31/2015 Expense ⁽¹⁾	Balance of Deferred Inflows 12/31/2015	Balance of Deferred Outflows 12/31/2015
<i>Investment (gains) or losses</i>					
\$2,065,904	12/31/2015	5.0	\$413,181	\$0	\$1,652,724
308,778	12/31/2014	5.0	61,756	0	185,267
<i>Economic/ demographic (gains) or losses</i>					
(303,544)	12/31/2015	4.0	(75,886)	227,658	0
(117,973)	12/31/2014	4.0	(29,493)	58,986	0
<i>Assumption changes or inputs</i>					
259,370	12/31/2015	4.0	64,843	0	194,528
0	12/31/2014	4.0	0	0	0

Employer contributions made subsequent to measurement date ⁽²⁾

_____ Employer Determined _____

⁽¹⁾ *Investment (gains/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active, inactive, and retired members.*

⁽²⁾ *Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as outlined in Appendix D of this report.*

Appendix A-GASB 68 Plan Description for Aransas County

A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. Aransas County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 190%) and is then converted to an annuity.
 - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Aransas County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2015 are shown in the chart on the prior page.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Membership Information

Members	Dec. 31, 2014	Dec. 31, 2015
Number of inactive employees entitled to but not yet receiving benefits:	156	167
Number of active employees:	196	209
Average monthly salary*:	\$3,266	\$3,215
Average age*:	46.86	47.24
Average length of service in years*:	6.58	6.59
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	67	76
Average monthly benefit:	\$927	\$974

**Averages reported for all active and inactive employees. Average service includes all proportionate service.*

Appendix D-Contributions Made Subsequent to Measurement Date

GASB Statement No. 71 ("GASB 71"), *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, requires employer contributions made between the measurement date, which is the date used to determine an employer's net pension liability ("NPL"), and the employer's fiscal year end be reported as a deferred outflow of resources ("DOoR"). The statement "requires a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability."

For GASB valuation purposes, TCDRS' consulting actuary will compute each participating employer's NPL as of Dec. 31 of each year. Employers that have a fiscal year end other than Dec. 31 will need to account for pension contributions (employer; not employee contributions and group term life premiums) made between Dec. 31 and the employer's fiscal year end as a DOoR. These contributions will not be reported to you as part of this GASB report; employers can access their monthly employer activity statements, which display contributions made by the employer, along with any group term life premium offsets, via the TCDRS Employer Portal.

An example may help. An employer, with a March 31 fiscal year end, will implement GASB 68 requirements for its fiscal year end March 31, 2016. To transition to the new GASB requirements, the employer will record:

- a beginning NPL determined as of the Dec. 31, 2014 measurement date, and
- a beginning DOoR for pension contributions made after Dec. 31, 2014 through the beginning of the employer's fiscal year, which equates to March 31, 2015.

The employer's Dec. 31, 2014 NPL is computed to be \$1,000,000. The employer's pension contributions made after Dec. 31, 2014 to March 31, 2015 total \$200,000. The initial implementation entry would be:

	Debit	Credit
Net position	\$800,000	
DOoR - Contributions after the measurement date	\$200,000	
Initial NPL		\$1,000,000

Appendix E-Summary of TCDRS Funding Policy

Texas County & District Retirement System Funding Policy

Effective as of the Dec. 31, 2014 valuation

Introduction

The funding policy governs how the Texas County & District Retirement System (TCDRS) determines the employer contributions required to ensure that benefits provided to TCDRS members are funded in a reasonable and equitable manner. The goals of TCDRS' funding policy are to fully fund benefits over the course of employees' careers to ensure intergenerational equity, and to balance rate and benefit stability with the need for the plan funding to be reflective of current plan conditions.

This policy documents the current funding policies in effect for the Dec. 31, 2015 actuarial valuation as established by state law, administrative rule and action by the TCDRS Board of Trustees (the board). The policy serves as a comprehensive funding overview and complies with the GASB reporting requirements for an agent multiple-employer plan.

TCDRS funding overview

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6% or 7% of compensation, 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. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Methodology for determining employer contribution rates

The board hires independent outside consulting actuaries to conduct an annual valuation to measure the funding status and to determine the required employer contribution rate for each employer plan. In order to calculate the employer contribution rate, the actuary does the following:

- Studies each employer's adopted plan of benefits and the profile of its plan participants, and uses assumptions established by the board to estimate future benefit payments.
- Discounts the estimate of future benefit payments to the present based on the long-term rate of investment return to determine the present value of future benefits.
- Compares the present value of future benefits with the plan's assets to determine the difference that needs to be funded based on the funding policy.

The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer plan. The four key components in the determination of employer contribution rates are: the actuarial cost method, amortization policy, the asset valuation method and the actuarial assumptions.

Actuarial cost method

TCDRS has adopted the replacement life entry age cost method, a conservative cost method and an industry standard. The goal of this cost method is 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. Under this approach, benefits are funded in advance as a level percentage of pay. This portion of the contribution rate is called the normal cost rate and generally remains stable from year to year.

Amortization policy

The portion of the contribution rate that funds any remaining unfunded amounts for benefits that are not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. UAAL amounts occur when benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actuarial gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis over a closed period with a layered approach. The closed periods ensure all unfunded liabilities are financed over no more than 20 years from the time they occur. Each year new layers are established to amortize changes in the UAAL due to actuarial gains or losses, as well as any plan benefit changes elected by an employer for that year.

Benefit enhancements are amortized over a 15-year closed period. All other changes in the UAAL are amortized over 20-year closed periods. These amortization periods are generally more conservative than those of most other public retirement plans and are stricter than the minimum amortization period required under state law.

For newly participating districts that have five or fewer employees who are all within five years of retirement eligibility, any initial UAAL and any subsequent adoption of prior service credits are amortized over a five-year closed amortization period. This ensures that benefits are appropriately funded over the current generation of employees.

Notwithstanding the layered approach, the total UAAL payment may not be less than the required payment obtained by amortizing the entire UAAL over a 20-year period.

If a plan is overfunded, the overfunded actuarial accrued liability (OAAL) is calculated annually using a 30-year open amortization period.

Asset valuation method

When determining the actuarial value of assets used for measuring a plan's funded status, TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period to better reflect the system's long-term investment horizons and to keep employer contribution rates more stable. As actuarial asset investment gains and losses are recognized, they become part of the actuarial gains and losses for the year and are funded according to the amortization policy. The five-year period helps stabilize employer rates while still ensuring that rates are reflective of current market conditions.

In addition, the board has the ability to set aside reserves from investment earnings that are used to help offset future negative economic cycles. These reserves are held separately and are not counted as part of a participating employer's plan assets until they are passed through to employers when determined necessary by the board. Reserves help maintain rate stability for employers. In addition, reserves ensure that employers do not adopt benefit increases based on a temporarily lower plan cost at a high point in a market cycle and, conversely, are not as pressured to immediately reduce benefit levels during a low point in a market cycle.

Actuarial assumptions

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

Oversight

The board has established review policies to ensure that actuarial assumptions are appropriate and that the methodology for determining employer contribution rates is being correctly applied.

Review of actuarial assumptions

TCDRS' actuarial assumptions are periodically reviewed and revised as deemed necessary to reflect best estimates of future experience. Every four years, the TCDRS consulting actuary conducts an investigation of experience. TCDRS assumptions are compared to plan experience and future expectations, and changes to the assumptions are recommended as needed. The board adopts actuarial assumptions to be used in the valuation based on the results of this study.

An actuarial audit of every investigation of experience is required and must be performed by an independent auditing actuary to review the consulting actuary's analysis, conclusions and recommendations for accuracy, appropriateness and reasonableness. These audits alternate between a peer review and a full replication audit of the investigation of experience. In a peer review audit of the investigation, the reviewing actuary uses the raw results of the investigation for demographic assumptions as calculated by the consulting actuary to test the conclusions and recommendations. In addition, the reviewing actuary independently analyzes economic assumptions to test the results and recommendations of the consulting actuary. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the investigation, in addition to performing all of the steps of a peer review, the auditing actuary fully replicates the calculation of the investigation's raw results.

Review of employer contribution rates

In order to test accuracy and ensure that the actuarial methods and assumptions are being correctly applied, an audit of the valuation is required every four years. These audits are conducted by an independent reviewing actuary and alternate between a peer review and a full replication audit of the valuation. In the peer review audit of the valuation, the actuary uses a sample of participant data and TCDRS plans to test the results of the valuation. The reviewing actuary also examines the consulting actuary's methods and assumptions for reasonableness and internal consistency. In a full replication audit of the valuation, the auditing actuary performs all the steps of a peer review audit but instead of analyzing sample data and plans, the auditing actuary fully replicates the original actuarial valuation.

Review and modification of funding policy

The board will review this policy on a regular basis and may modify this policy at its discretion. Modifications to the policy may be submitted for consideration to the board by staff and/or outside consulting actuaries as circumstances warrant.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

	Year Ended December 31									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Pension Liability										
Service cost	\$1,046,669	\$949,858	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	1,882,888	1,742,310	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	(156,151)	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	259,370	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(303,544)	(117,973)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(986,678)</u>	<u>(888,701)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in total pension liability	1,742,554	1,685,494	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	<u>23,165,512</u>	<u>21,480,019</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$24,908,066</u>	<u>\$23,165,512</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary Net Position										
Employer contributions	\$672,781	\$662,219	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	554,055	529,779	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(205,841)	1,416,366	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(986,678)	(888,701)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(16,321)	(16,801)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>59,097</u>	<u>(57,911)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in fiduciary net position	77,093	1,644,950	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>22,623,542</u>	<u>20,978,592</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$22,700,635</u>	<u>\$22,623,542</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability/ (asset), ending= (a) - (b)	<u>\$2,207,431</u>	<u>\$541,970</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	91.14%	97.66%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$7,915,071	\$7,568,267	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	27.89%	7.16%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution ⁽¹⁾	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2006	\$276,545	\$276,545	\$0	\$4,695,154	5.9%
2007	364,076	364,076	0	5,049,596	7.2%
2008	377,612	377,612	0	5,909,423	6.4%
2009	449,583	449,583	0	6,822,207	6.6%
2010	554,002	554,002	0	7,066,358	7.8%
2011	523,043	523,043	0	6,819,354	7.7%
2012	568,023	568,023	0	7,073,767	8.0%
2013	582,317	582,317	0	7,041,263	8.3%
2014	662,219	662,219	0	7,568,267	8.7%
2015	672,781	672,781	0	7,915,071	8.5%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	14.8 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule*	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

**Only changes effective 2015 and later are shown in the Notes to Schedule*

Appendix B-Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2015 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Aransas County December 31, 2015 Summary Valuation Report for further details.

Following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as funding valuation: See Appendix C
Salary Increases	Same as funding valuation: See Appendix C
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Aransas County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation: See Appendix C
Turnover	Same as funding valuation: See Appendix C
Mortality	Same as funding valuation: See Appendix C

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

Appendix C-Actuarial Methods and Assumptions Used for Funding Valuation

Except where indicated in the section of this GASB 68 report entitled "Actuarial Methods and Assumptions Used for GASB Calculations", the assumptions used in this analysis for the December 31, 2015 financial reporting metrics are the same as those used in the December 31, 2015 actuarial valuation analysis for Aransas County.

Following is a description of the assumptions used in the December 31, 2015 actuarial valuation analysis for Aransas County. This information may also be found in the Aransas County December 31, 2015 Summary Valuation Report.

Economic Assumptions

TCDRS system-wide economic assumptions:

Real rate of return	5.0%
Inflation	3.0%
Long-term investment return	8.0%

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. (See Table 1 for Merit Salary Increases.)

Employer-specific economic assumptions:

Growth in membership	0.0%
Payroll growth for funding calculations	3.5%

The payroll growth assumption is for the aggregate covered payroll of an employer.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

ARANSAS COUNTY, TEXAS
 BALANCE SHEET - ROAD AND BRIDGE FUND
 DECEMBER 31, 2016

	Road and Bridge General	Flood Control Fund	Total Road and Bridge
ASSETS			
Cash and Cash Equivalents	\$2,244,692	\$1,583,052	\$3,827,744
Receivables (Net of Allowance for Uncollectibles)	1,336,234		1,336,234
Prepaid Insurance	2,696		2,696
Inventory	45,398		45,398
Total Assets	<u>\$3,629,020</u>	<u>\$1,583,052</u>	<u>5,212,072</u>
LIABILITIES AND FUND BALANCES:			
Liabilities:			
Accounts Payable	\$120,652	\$1,659	\$122,311
Accrued Wages	30,069		30,069
Total Liabilities	<u>150,721</u>	<u>1,659</u>	<u>152,380</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	1,278,883		1,278,883
Unavailable Revenue - Advanced Tax Collections	496,519	97,545	594,064
Total Deferred Inflows of Resources	<u>1,775,402</u>	<u>97,545</u>	<u>1,872,947</u>
Fund Balances:			
Non-Spendable			
Prepaid Insurance	2,696		2,696
Inventory	45,398		45,398
Restricted			
Public Transportation	1,654,803	1,483,848	3,138,651
Total Fund Balance	<u>1,702,897</u>	<u>1,483,848</u>	<u>3,186,745</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u><u>\$3,629,020</u></u>	<u><u>\$1,583,052</u></u>	<u><u>\$5,212,072</u></u>

The accompanying notes are an integral part of this statement.

ARANSAS COUNTY, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - ROAD AND BRIDGE FUNDS
 YEAR ENDED DECEMBER 31, 2016

	Road and Bridge General	Flood Control Fund	Total Road and Bridge
<i>REVENUES</i>			
Taxes			
Property	\$1,425,752	\$277,072	\$1,702,824
Intergovernmental	535,714		535,714
Licenses and Permits	556,563		556,563
Charges for Services		124,595	124,595
Fines and Forfeitures	146,986		146,986
Interest	18,873	6,546	25,419
Miscellaneous	7,823		7,823
Total Revenues	<u>2,691,711</u>	<u>408,213</u>	<u>3,099,924</u>
<i>EXPENDITURES</i>			
Current:			
Public Transportation			
Road and Bridge	2,310,800	132,585	2,443,385
Total Expenditures	<u>2,310,800</u>	<u>132,585</u>	<u>2,443,385</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>380,911</u>	<u>275,628</u>	<u>656,539</u>
<i>OTHER FINANCING SOURCES (USES):</i>			
Operating Transfers In			0
Operating Transfers Out	(466,498)		(466,498)
Total Other Financing Sources (Uses)	<u>(466,498)</u>	<u>0</u>	<u>(466,498)</u>
Net Changes in Fund Balances	(85,587)	275,628	190,041
Fund Balances - Beginning	1,788,484	1,208,220	2,996,704
Fund Balances - Ending	<u>\$1,702,897</u>	<u>\$1,483,848</u>	<u>\$3,186,745</u>

The accompanying notes are an integral part of this statement.

ARANSAS COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

	SPECIAL REVENUE																		
	A.C. ASSIST-ANCE PROGRAM	APPELLATE JUDICIAL SYSTEM FUND	CHAPTER 19 VOTER REGIS-TRATION	CHILD ABUSE PREVEN-TION	CO. & DIST. COURT TECH-NOLOGY	CO. ATTY HOT CHECK FUND	COUNTY RECORDS MGMT FUND	COURT RECORDS PRESER-VATION	ESCHEAT/ UNCLAIMED FUNDS	COURT REPORTER SERVICE FEE FUND	COURT- HOUSE SECURITY FUND	DISTRICT CLERK'S RECORDS MANAGEMENT	DISTRICT COURT RECORDS TECH.	ELECTION SERVICE CON-TRACT	FIRE DEPT CAPITAL PROJECT	FORFEITURE FUND	HOTEL/ MOTEL TAX FUND	INDIGENT HEALTH CARE	
ASSETS																			
Cash and Cash Equivalents	\$86,436	\$2,418	\$0	\$1,431	\$5,978	\$1,520	\$65,444	\$38,512	\$200	\$84,664	\$54,516	\$30,460	\$11,235	\$0	\$0	\$5,391	\$442,395	\$1,021,323	
Receivables (Net of Allowance for Uncollectibles)																	19,160		
Restricted Assets:																			
Cash and Cash Equivalents																			
Total Assets	\$86,436	\$2,418	\$0	\$1,431	\$5,978	\$1,520	\$65,444	\$38,512	\$200	\$84,664	\$54,516	\$30,460	\$11,235	\$0	\$0	\$5,391	\$461,555	\$1,021,323	
LIABILITIES																			
Liabilities																			
Accounts Payable	\$2,612										\$49,897						\$31,192	\$47,173	
Accrued Wages	4,001																		
Bank Overdraft			1,079											16,722					
Total Liabilities	6,613	0	1,079	0	0	0	0	0	0	0	49,897	0	0	16,722	0	0	31,192	47,173	
DEFERRED INFLOWS OF RESOURCES																			
Unavailable Revenue - Advanced Tax Collections																			
Total Deferred Inflows of Resources	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FUND BALANCES																			
Fund Balances:																			
Restricted																			
Construction																			
Culture and Recreation																			
Debt Service																			
Future Projects																			
General Administration									200										
Health																		974,150	
Judicial	79,823	2,418			5,978			38,512		84,664			11,235						
Legal						1,520													
Public Safety				1,431							4,619					0	5,391		
Records Management							65,444					30,460							
Tourism and Education																		430,363	
Unassigned			(1,079)											(16,722)					
Total Fund Balances	79,823	2,418	(1,079)	1,431	5,978	1,520	65,444	38,512	200	84,664	4,619	30,460	11,235	(16,722)	0	5,391	430,363	974,150	
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$86,436	\$2,418	\$0	\$1,431	\$5,978	\$1,520	\$65,444	\$38,512	\$200	\$84,664	\$54,516	\$30,460	\$11,235	\$0	\$0	\$5,391	\$461,555	\$1,021,323	

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

(continued)

SPECIAL REVENUE																DEBT SERVICE						
TITLE	JUVENILE				OUT OF	PRETRIAL	RECORDS					J.P.				ROAD				LTD TAX	CO'S	
IV D	CASE			MOSQUITO	COUNTY	INTERVEN-	MGMT &	SHERIFF	SPECIAL	SPECIAL	TECH-	TECLOSE	TRAINING	VENUE	BOND	FLOOD	VENUE	BOND	REFUNDING	2016		
CHILD	MANAGEMENT	LAW	LIBRARY	CONTROL	JUVENILE	TION	ACRHI	FORFEITURE	CONTINGENCY	FORFEITURE	NICAL	TRAINING	ACADEMY	TAX	INT &	CONTROL	CO'S	2012	BONDS,	INT &		
SUPPORT	FUND	LIBRARY	FUND	FUND	DETEN	PROGRAM	FEE	FUND	FUND	FUND	FUND	FUND	FUND	FUND	SINKING	I & S	I & S	I&S	SER. 2012	SINKING		
\$10,511	\$20,218	\$39,004	\$58,427	\$100,261	\$349	\$76,347	\$206,071	\$114,651	\$9,266	\$102,223	\$23,516	\$110,416	\$18,334	\$10,107	\$431,579	\$195	\$440,192	\$9,121	\$105,951	\$1,136,268		
																					123,696	
\$10,511	\$20,218	\$39,004	\$58,427	\$100,261	\$349	\$76,347	\$206,071	\$114,651	\$9,266	\$102,223	\$23,516	\$110,416	\$18,334	\$10,107	\$431,579	\$195	\$440,192	\$9,121	\$105,951	\$1,136,268	\$123,696	
	\$949		\$3,292				\$893				\$62		\$1,023	\$2								
	1,252		4,823	303									2,387									
0	2,201	0	8,115	303	0	0	0	893	0	0	0	62	0	3,410	2	0	0	0	0	0	0	
				9,417																		
0	0	0	0	9,417	0	0	0	0	0	0	0	0	0	0	0	0	164,301	0	42,858	275,288	122,024	
																	0	164,301	0	42,858	275,288	122,024
			50,312														195	275,891	9,121	63,093	860,980	1,672
10,511		39,004		90,541		76,347					110,354											
	18,017				349				9,266	102,223	23,516		18,334	6,697								
							206,071	113,758							431,577							
10,511	18,017	39,004	50,312	90,541	349	76,347	206,071	113,758	9,266	102,223	23,516	110,354	18,334	6,697	431,577	195	275,891	9,121	63,093	860,980	1,672	
\$10,511	\$20,218	\$39,004	\$58,427	\$100,261	\$349	\$76,347	\$206,071	\$114,651	\$9,266	\$102,223	\$23,516	\$110,416	\$18,334	\$10,107	\$431,579	\$195	\$440,192	\$9,121	\$105,951	\$1,136,268	\$123,696	

ARANSAS COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2016
 (continued)

	DEBT SERVICE			CAPITAL PROJECTS				TOTAL NON-MAJOR GOVERN- MENTAL
	LTD TAX REFUNDING	CO'S 2007	CO'S 2009	WATERWAY RESTOR- ATION	VENUE PROJECTS FUND	2016 CAPITAL PROJECTS	VENUE CAPITAL PROJECTS FUND	
	SER. 2016	SINKING	SINKING					
ASSETS								
Cash and Cash Equivalents		\$327,790	\$503,443			\$1,866,121	\$623,554	\$8,195,838
Receivables (Net of Allowance for Uncollectibles)								19,160
Restricted Assets:								
Cash and Cash Equivalents	80,185			493,934	533,331			1,231,146
Total Assets	\$80,185	\$327,790	\$503,443	\$493,934	\$533,331	\$1,866,121	\$623,554	\$9,446,144
LIABILITIES								
Liabilities								
Accounts Payable				\$18,127	\$4,804	\$22,922		\$182,948
Accrued Wages								12,766
Bank Overdraft								17,801
Total Liabilities	0	0	0	18,127	4,804	22,922	0	213,515
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue - Advanced Tax Collections	70,796	40,076	79,776					804,536
Total Deferred Inflows of Resources	70,796	40,076	79,776	0	0	0	0	804,536
FUND BALANCES								
Fund Balances:								
Restricted								
Construction				475,807				475,807
Culture and Recreation								50,312
Debt Service	9,389	287,714	423,667					1,931,722
Future Projects					528,527	1,843,199	623,554	2,995,280
General Administration								200
Health								1,064,691
Judicial								458,846
Legal								1,520
Public Safety								189,843
Records Management								415,733
Tourism and Education								861,940
Unassigned								(17,801)
Total Fund Balances	9,389	287,714	423,667	475,807	528,527	1,843,199	623,554	8,428,093
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$80,185	\$327,790	\$503,443	\$493,934	\$533,331	\$1,866,121	\$623,554	\$9,446,144

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

ARANSAS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	SPECIAL REVENUE																								
	A.C. ASSIST-ANCE PROGRAM	APPELLATE JUDICIAL SYSTEM FUND	CHAPTER 19 VOTER REGIS-TRATION	CHILD ABUSE PREVEN-TION	CO. & DIST. COURT TECH-NOLOGY	CO. ATTY HOT CHECK FUND	COUNTY RECORDS MGMT FUND	COURT RECORDS PRESER-VATION	ESCHEAT/ UNCLAIMED FUNDS	COURT REPORTER SERVICE FEE FUND	COURT- HOUSE SECURITY FUND	DISTRICT CLERK'S RECORDS MANAGEMENT	DISTRICT COURT RECORDS TECH.	ELECTION SERVICE CON-TRACT	FIRE DEPT CAPITAL PROJECT	FORFEITURE FUND	HOTEL/ MOTEL TAX FUND	INDIGENT HEALTH CARE							
REVENUES																									
Taxes																									
Property																									
Hotel/Motel Venue																		402,782							
Charges for Services	3,967	2,418		181	1,018	11,494	9,247	5,498		7,386	17,759	2,056	3,337												
Interest																			35						
Miscellaneous																		817		35,769					
Total Revenues	3,967	2,418	817	181	1,018	11,494	9,247	5,498	0	7,386	17,759	2,056	3,337	35,769	0	35	402,782	0							
EXPENDITURES																									
Current:																									
General Administration																									
Non-Departmental Elections			1,896																138,671						
Records Management							43,870												23,316						
Legal																									
Check Collection							10,459																		
Law Library																									
Judicial	147,336	2,518																4,655							
Public Safety																									
Sheriff																			7,350						
Public Safety																									
Emergency Operations												53,645			130,829										
Culture and Recreation																									
Library																									
Health and Welfare																									
Health																				514,538					
Capital Projects -																									
Capital Outlay and Other																									
Debt Service																									
Principal Retirement																									
Interest Retirement																									
Total Expenditures	147,336	2,518	1,896	0	0	10,459	43,870	0	674	4,655	53,645	0	0	23,316	130,829	7,350	138,671	514,538							
Excess (Deficiency) of Revenues Over (Under) Expenditures	(143,369)	(100)	(1,079)	181	1,018	1,035	(34,623)	5,498	(674)	2,731	(35,886)	2,056	3,337	12,453	(130,829)	(7,315)	264,111	(514,538)							
OTHER FINANCING SOURCES (USES):																									
Other Financing Sources - Bond Proceeds																									
Bond Issuance Costs																									
Transfers In	149,469																130,829				822,906				
Transfers Out																				(265,000)					
Total Other Financing Sources (Uses)	149,469	0	0	0	0	0	0	0	0	0	0	0	0	0	130,829	0	(265,000)	822,906							
Net Changes in Fund Balances	6,100	(100)	(1,079)	181	1,018	1,035	(34,623)	5,498	(674)	2,731	(35,886)	2,056	3,337	12,453	0	(7,315)	(889)	308,368							
Fund Balances - Beginning	73,723	2,518	0	1,250	4,960	485	100,067	33,014	874	81,933	40,505	28,404	7,898	(29,175)	0	12,706	431,252	665,782							
Fund Balances - Ending	\$79,823	\$2,418	(\$1,079)	\$1,431	\$5,978	\$1,520	\$65,444	\$38,512	\$200	\$84,664	\$4,619	\$30,460	\$11,235	(\$16,722)	\$0	\$5,391	\$430,363	\$974,150							

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

(continued)

ARANSAS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016
 (continued)

	DEBT SERVICE			CAPITAL PROJECTS				TOTAL NON-MAJOR GOVERN- MENTAL
	LTD TAX	CO'S	CO'S	WATERWAY	VENUE	2016	VENUE	
	REFUNDING	2007	2009					
	BONDS, SER. 2016	INT & SINKING	INT & SINKING	RESTOR- ATION	PROJECTS FUND	CAPITAL PROJECTS	FUND	
REVENUES								
Taxes								
Property		\$75,994	\$369,162					\$1,576,322
Hotel/Motel								402,782
Venue								461,456
Charges for Services								284,208
Interest	7,064	1,194	1,699	931	1,935	1,310	2,994	26,938
Miscellaneous				245	9,065		5,997	171,717
Total Revenues	7,064	77,188	370,861	1,176	11,000	1,310	8,991	2,923,423
EXPENDITURES								
Current:								
General Administration								
Non-Departmental								179,661
Elections								25,212
Records Management								107,181
Legal								
Check Collection								10,459
Law Library								14,888
Judicial								
Judicial								171,410
Public Safety								
Sheriff								49,910
Public Safety								85,490
Emergency Operations								184,474
Culture and Recreation								
Library								186,874
Health and Welfare								
Health								635,821
Capital Projects -								
Capital Outlay and Other				115,158	236,865	708,111	136,878	1,197,012
Debt Service								
Principal Retirement	89,334	103,505	177,099					1,359,938
Interest Retirement	1,214	41,948	83,967					576,008
Total Expenditures	90,548	145,453	261,066	115,158	236,865	708,111	136,878	4,784,338
Excess (Deficiency) of Revenues Over (Under) Expenditures	(83,484)	(68,265)	109,795	(113,982)	(225,865)	(706,801)	(127,887)	(1,860,915)
OTHER FINANCING SOURCES (USES):								
Other Financing Sources - Bond Proceeds						2,600,000		2,600,000
Bond Issuance Costs						(50,000)		(50,000)
Transfers In	108,745	10,178	8,000	265,000	263,157			2,357,971
Transfers Out	(15,872)	(43,595)	(65,150)					(890,314)
Total Other Financing Sources (Uses)	92,873	(33,417)	(57,150)	265,000	263,157	2,550,000	0	4,017,657
Net Changes in Fund Balances	9,389	(101,682)	52,645	151,018	37,292	1,843,199	(127,887)	2,156,742
Fund Balances - Beginning	0	389,396	371,022	324,789	491,235	0	751,441	6,271,351
Fund Balances - Ending	\$9,389	\$287,714	\$423,667	\$475,807	\$528,527	\$1,843,199	\$623,554	\$8,428,093

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

SINGLE AUDIT SECTION

ARANSAS COUNTY, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	GRANTOR'S/ PASS-THROUGH GRANTOR'S NUMBER	AWARD AMOUNT
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through			
<i>Texas Division of Emergency Management</i>			
Operation Stonegarden (OPSG) (NM)	97.067	EMW-2014-SS-00029	\$167,360
Operation Stonegarden (OPSG) (NM)	97.067	EMW-2015-SS-00080	114,621
Total Texas Division of Emergency Management			<u>281,981</u>
Total U.S. Department of Homeland Security			<u>281,981</u>
U.S. DEPARTMENT OF THE INTERIOR			
Direct Programs			
Coastal Impact Assistance Program (NM)	15.426	F12AF70246	<u>67,263</u>
Passed Through			
Texas General Land Office			
GoMESA (NM)	15.435	14-170-000-8149	<u>48,198</u>
Total U.S. Department of the Interior			<u>115,461</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through			
Office of the Attorney General			
Child Support Enforcement-Title IV-D (NM)	93.563		14,838
Fiscal Year 2016			<u>14,838</u>
Total U.S. Department of Health and Human Services			<u>14,838</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT			
Passed Through			
Texas Department of Agriculture			
Community Development Block Grant (M)	14.228		
Colonia		7214009	245,501
Ramp		713055	184,321
		7215065	56,700
Total Community Development Block Grant			<u>486,522</u>
Total U.S. Department of Housing & Urban Development			<u>486,522</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$898,802</u></u>

CFDA=CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE NUMBER

M=MAJOR PROGRAM

NM=NONMAJOR PROGRAM

See Accompanying Notes to Schedule of Federal Financial Assistance

ARANSAS COUNTY, TEXAS
 BUDGET COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor: U.S. Department of Housing and Urban Development
 Pass Through Grantor: Texas Department of Agriculture
 CFDA Number: 14.228
 Project Number: 7214009
 Contract Period: 10/15/2014 to 10/14/2016

	BUDGET	FEDERAL		LOCAL MATCH		VARIANCE
		PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
REVENUE						
Federal	\$300,000	\$43,895	\$245,501			\$10,604
Local	15,000				15,000	0
TOTAL REVENUE:	315,000	43,895	245,501	0	15,000	10,604
EXPENSES						
Federal						
Sewer Improvements - Construction	173,759		173,759			0
Sewer Improvements - Engineering	35,000	29,592	5,408			0
Rehab Single - Unit -Sewer	55,188		44,584			10,604
Rehab Single - Unit -Sewer	3,053	2,753	300			0
General Administration	33,000	11,550	21,450			0
State						
	15,000				15,000	0
TOTAL EXPENSES	315,000	43,895	245,501	0	15,000	10,604
Excess Revenue over Expenditures	\$0	\$0	\$0	\$0	\$0	\$0

ARANSAS COUNTY, TEXAS
 BUDGET COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor: U.S. Department of Housing and Urban Development
 Pass Through Grantor: Texas Department of Agriculture
 CFDA Number: 14.228
 Project Number: 713055
 Contract Period: 1/23/2014 to 7/22/2016

	BUDGET	FEDERAL		LOCAL MATCH		VARIANCE
		PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
REVENUE						
Federal	\$500,000	\$196,951	\$184,321			\$118,728
Local	19,072			19,072		0
TOTAL REVENUE:	519,072	196,951	184,321	19,072	0	118,728
EXPENSES						
Federal						
Sewer Improvements - Construction	317,768	102,244	163,371			52,153
Sewer Improvements - Engineering	54,000	45,900	8,100			0
Rehab Single - Unit -Sewer	88,232	16,807	4,850			66,575
General Administration	40,000	32,000	8,000			0
State	19,072			19,072		0
TOTAL EXPENSES	519,072	196,951	184,321	19,072	0	118,728
Excess Revenue over Expenditures	\$0	\$0	\$0	\$0	\$0	\$0

ARANSAS COUNTY, TEXAS
 BUDGET COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor: U.S. Department of Housing and Urban Development
 Pass Through Grantor: Texas Department of Agriculture
 CFDA Number: 14.228
 Project Number: 7215065
 Contract Period: 11/20/2015 to 11/19/2017

	BUDGET	FEDERAL		LOCAL MATCH		VARIANCE
		PRIOR YEAR	CURRENT YEAR	PRIOR YEAR	CURRENT YEAR	
REVENUE						
Federal	\$456,681		\$56,700			\$399,981
Local	22,865					22,865
TOTAL REVENUE:	479,546	0	56,700	0	0	422,846
EXPENSES						
Federal						
Sewer Improvements - Construction	272,611					272,611
Sewer Improvements - Engineering	55,000		36,200			18,800
Rehab Single - Unit -Sewer	88,070					88,070
General Administration	41,000		20,500			20,500
State	22,865					22,865
TOTAL EXPENSES	479,546	0	56,700	0	0	422,846
Excess Revenue over Expenditures	\$0	\$0	\$0	\$0	\$0	\$0

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

To the County Judge and Commissioners' Court
Aransas 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 Aransas County, Texas, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Aransas County, Texas' basic financial statements and have issued our report thereon dated June 9, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aransas County, Texas' 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 Aransas County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Aransas County, Texas' 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 Aransas County, Texas' 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.

Wayne R. Beyer

BEYER & COMPANY
Certified Public Accountants
June 9, 2017

BEYER & Co.
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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the County Judge and Commissioners' Court
Aransas County, Texas

Report on Compliance for Each Major Federal Program

We have audited Aransas County, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Aransas County, Texas' major federal programs for the year ended December 31, 2016. Aransas County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Aransas County, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BEYER & COMPANY
Certified Public Accountants
June 9, 2017

ARANSAS COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

General

The accompanying Schedule of Expenditure of Federal Awards presents the activity of all Aransas County, Texas's Federal grants for the year ended December 31, 2016. This report is intended for the information of Aransas County, Texas, and Federal awarding agencies, and is not intended to be used and should not be used by anyone other than these specified parties.

Basis of Accounting

The Schedule of Expenditure of Federal Awards is presented using the modified accrual basis of accounting.

Non Cash Grants

Aransas County received no non-cash grants for the year ended December 31, 2016.

ARANSAS COUNTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal

There were no prior audit findings for Federal Awards.

ARANSAS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses a unmodified opinion on the financial statements of the Aransas County, Texas.
2. There was no significant deficiency disclosed during the audit. There was no material weakness disclosed during the audit.
3. There were no instances of noncompliance material to the financial statements of the Aransas County, Texas, which would be required to be reported in accordance with Government Auditing Standards.
4. There was no significant deficiency over major Federal award programs disclosed during the audit. There was no material weakness over major Federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major Federal award programs for Aransas County, Texas expresses an unqualified opinion on all major Federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR 200.516 (a) of the Uniform Guidance.
7. The programs tested as major programs: Community Development Block Grant – CFDA 14.228.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Aransas County did qualify as a low-risk auditee.