

**BAILEY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR YEAR ENDED**  
**SEPTEMBER 30, 2017**

**BAILEY COUNTY, TEXAS**  
**ANNUAL FINANCIAL REPORT**  
**FOR YEAR ENDED SEPTEMBER 30, 2017**

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**PART I**  
**INTRODUCTORY SECTION**

**BAILEY COUNTY, TEXAS**  
**PRINCIPAL COUNTY OFFICIALS**  
**SEPTEMBER 30, 2017**

Sherri Harrison	County Judge
Gary Don Gartin	Commissioner, Precinct #1
Mike Slayden	Commissioner, Precinct #2
Cody Black	Commissioner, Precinct #3
Juan Chavez	Commissioner, Precinct #4
Gordon H. Green	Judge, 287 <sup>th</sup> Judicial District
Kathryn Gurley	District Attorney
Elaine Parker	District Clerk
Jackie R. Claborn II	County Attorney
Robin Dickerson	County Clerk
Maria Gonzalez	County Tax Assessor/Collector
Shonda L. Black	County Treasurer
Richard Wills	County Sheriff
Daniel Guzman	Justice of the Peace
Kent Wiley	County Constable

**PART II**  
**FINANCIAL SECTION**



To The Honorable County Judge and  
Commissioners Comprising the  
Commissioners' Court of  
Bailey County, Texas  
Muleshoe, Texas

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bailey County, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County'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 County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bailey County, Texas, as of September 30, 2017, and the respective changes in financial position 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 budgetary comparison schedules, the schedule of changes in pension liability and related ratios, and the schedule of employer contributions on pages 32 – 36 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. 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.

The County has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The MD&A, 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. The independent auditors' opinion is not affected by the omission of the MD&A.

### *Other information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bailey County, Texas' financial statements as a whole. The combining non-major and agency fund financial statements listed under other supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major and agency fund financial statements listed under other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 March 29, 2018, on our consideration of Bailey 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 Bailey County, Texas' internal control over financial reporting and compliance.

*DOSHIER, PICKENS & FRANCIS, L.L.C.*

DOSHIER, PICKENS & FRANCIS, LLC  
March 29, 2018

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## **BASIC FINANCIAL STATEMENTS**

**BAILEY COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,711,755
Accounts receivable, net	353,480
Delinquent taxes receivable, net	72,280
Due from other governmental entities	161,973
Inventories	21,852
Prepays	49,688
Restricted assets:	
Cash	377,076
Capital assets, net of accumulated depreciation	3,532,749
Total assets	6,280,853
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension contributions	87,981
Pension economic/demographic losses	24,857
Pension deficient earnings	334,175
Pension assumption changes	43,384
	490,397
Total deferred outflows of resources	490,397
<b>LIABILITIES</b>	
Accounts payable	96,985
Due to other governmental entities	29,141
Accrued interest	29,972
Other accrued	94,768
Noncurrent liabilities:	
Due within one year	493,818
Due in more than one year	2,963,132
Net pension liability	209,238
	3,917,054
Total liabilities	3,917,054
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension economic/demographic gains	139,506
	139,506
Total deferred inflows of resources	139,506
<b>NET POSITION</b>	
Net investment in capital assets	138,573
Restricted:	
By enabling legislation	339,192
Capital projects	377,076
Debt service	19,147
Special purposes	16,497
Unrestricted	1,824,205
	1,824,205
Total net position	\$ 2,714,690

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

**BAILEY COUNTY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Primary</u>
					<u>Government</u>
					<u>Governmental</u>
					<u>Activities</u>
<b>Primary government</b>					
Governmental Activities:					
Administrative	\$ 874,544	\$ 655,860	\$ 83,883	\$ -	\$ (134,801)
Judicial	700,862	354,933	219,768	-	(126,161)
Public facilities	106,693	18,715	-	-	(87,978)
Public safety	2,170,375	12,183	32,972	-	(2,125,220)
Road and bridge	1,106,733	403,308	107,432	-	(595,993)
Public service	838,778	286,650	11,124	-	(541,004)
Interest on long-term debt	46,079	-	-	-	(46,079)
Total	<u>\$ 5,844,064</u>	<u>\$ 1,731,649</u>	<u>\$ 455,179</u>	<u>\$ -</u>	<u>(3,657,236)</u>
<b>General revenues:</b>					
Taxes:					
Property taxes, levied for general purposes					2,292,904
Property taxes, levied for road and bridge					416,992
Property taxes, levied for debt service					278,145
Mixed beverage taxes					2,054
Sales tax					278,584
Investment earnings					8,560
Miscellaneous					203,048
Gain on disposal of asset					103,562
Total general revenues					<u>3,583,849</u>
Change in net position					<u>(73,387)</u>
Net position - beginning					2,583,486
Prior period restatement					<u>204,591</u>
Net position - beginning, as restated					<u>2,788,077</u>
Net position - ending					<u>\$ 2,714,690</u>

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

**BAILEY COUNTY, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>EMS Fund</u>	<u>Non-Major Governmental</u>	<u>Total Governmental</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,422,661	\$ -	\$ 666,170	\$ 2,088,831
Accounts receivable, net	312,307	37,368	3,805	353,480
Delinquent taxes receivable, net	62,744	-	9,536	72,280
Due from other funds	33,031	-	-	33,031
Due from other governments	106,923	-	55,050	161,973
Inventories	-	1,825	20,027	21,852
Prepaid items	30,408	1,764	17,516	49,688
	<u>1,968,074</u>	<u>40,957</u>	<u>772,104</u>	<u>2,781,135</u>
Total assets	<u>\$ 1,968,074</u>	<u>\$ 40,957</u>	<u>\$ 772,104</u>	<u>\$ 2,781,135</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 57,094	\$ 8,484	\$ 31,407	\$ 96,985
Due to other funds	-	-	33,031	33,031
Due to other governmental entities	28,898	87	156	29,141
Other accrued expenses	67,882	11,542	15,344	94,768
	<u>153,874</u>	<u>20,113</u>	<u>79,938</u>	<u>253,925</u>
Total liabilities	<u>153,874</u>	<u>20,113</u>	<u>79,938</u>	<u>253,925</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - delinquent property taxes	51,184	-	7,472	58,656
Unavailable revenue - accounts receivable	247,512	-	-	247,512
	<u>298,696</u>	<u>-</u>	<u>7,472</u>	<u>306,168</u>
Total deferred inflows of resources	<u>298,696</u>	<u>-</u>	<u>7,472</u>	<u>306,168</u>
<b>FUND BALANCES</b>				
Non-spendable:				
Inventories	-	1,825	20,027	21,852
Prepaid items	30,408	1,764	17,516	49,688
Restricted:				
By enabling legislation for special projects	-	-	339,192	339,192
Debt service	-	-	19,147	19,147
Special projects	377,076	-	16,497	393,573
Committed for:				
Special projects	1,596	17,255	294,049	312,900
Unassigned (deficit)	1,106,424	-	(21,734)	1,084,690
	<u>1,515,504</u>	<u>20,844</u>	<u>684,694</u>	<u>2,221,042</u>
Total fund balances	<u>1,515,504</u>	<u>20,844</u>	<u>684,694</u>	<u>2,221,042</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,968,074</u>	<u>\$ 40,957</u>	<u>\$ 772,104</u>	<u>\$ 2,781,135</u>

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

**BAILEY COUNTY, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

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

Total fund balance - governmental funds	\$	2,221,042
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		3,532,749
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements		306,168
Pension contributions paid after the measurement date, December 31, 2016, and before September 30, 2017 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		87,981
Pension losses, deficient earnings, and assumption changes are shown as deferred outflows of resources in the government-wide financial statements.		
Pension economic/demographic losses		24,857
Pension deficient earnings		334,175
Pension assumption changes		43,384
Pension gains, and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(139,506)
The net pension liability is not due and payable in the current period and therefore, is not reported in the fund financial statement, but is reported in the governmental activities of the Statement of Net Position.		(209,238)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:		
Accrued interest payable		(29,972)
Bonds, notes and capital leases payable		(3,264,843)
Unamortized bond premiums		(99,361)
Accrued compensated absences		(92,746)
Net position - governmental activities	\$	2,714,690

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

**BAILEY COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>EMS Fund</u>	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 2,393,555	\$ -	\$ 734,218	\$ 3,127,773
Sales tax	278,584	-	-	278,584
Miscellaneous taxes	2,054	-	-	2,054
Licenses and fees	630,675	286,654	445,250	1,362,579
Fines and forfeitures	102,845	-	-	102,845
Intergovernmental	294,316	-	157,226	451,542
Investment earnings	6,567	-	1,993	8,560
Miscellaneous	162,728	-	62,672	225,400
	<u>3,871,324</u>	<u>286,654</u>	<u>1,401,359</u>	<u>5,559,337</u>
<b>EXPENDITURES</b>				
Current:				
Administrative	817,675	-	11,252	828,927
Judicial	669,353	-	11,009	680,362
Public facilities	102,913	-	-	102,913
Public safety	1,898,045	-	22,866	1,920,911
Road and bridge	-	-	831,531	831,531
Public service	184,341	574,165	-	758,506
Debt service:				
Principal	-	110,278	421,517	531,795
Interest	-	5,442	84,854	90,296
Capital outlay	281,501	-	1,020,870	1,302,371
	<u>3,953,828</u>	<u>689,885</u>	<u>2,403,899</u>	<u>7,047,612</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(82,504)</u>	<u>(403,231)</u>	<u>(1,002,540)</u>	<u>(1,488,275)</u>
<b>OTHER FINANCING SOURCES</b>				
Issuance of debt	76,192	76,735	636,510	789,437
Proceeds from sale of assets	-	-	363,569	363,569
Proceeds from insurance claims	55,970	-	16,750	72,720
Transfers in	26,140	337,138	3,893	367,171
Transfers out	(341,031)	-	(26,140)	(367,171)
	<u>(182,729)</u>	<u>413,873</u>	<u>994,582</u>	<u>1,225,726</u>
<b>NET CHANGE IN FUND BALANCES</b>				
	(265,233)	10,642	(7,958)	(262,549)
<b>FUND BALANCES - BEGINNING PRIOR PERIOD RESTATEMENT</b>				
	<u>1,780,737</u>	<u>10,202</u>	<u>653,555</u>	<u>2,444,494</u>
	<u>-</u>	<u>-</u>	<u>39,097</u>	<u>39,097</u>
<b>FUND BALANCES - BEGINNING, AS RESTATED</b>				
	<u>1,780,737</u>	<u>10,202</u>	<u>692,652</u>	<u>2,483,591</u>
<b>FUND BALANCES - ENDING</b>				
	<u>\$ 1,515,504</u>	<u>\$ 20,844</u>	<u>\$ 684,694</u>	<u>\$ 2,221,042</u>

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



**BAILEY COUNTY, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

Net change in fund balances - total governmental funds: \$ (262,549)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays, \$1,302,371, exceeded depreciation, \$477,624, in the current period. 824,747

In the Statement of Activities, only the gain or loss on the disposition of capital assets is reported. However, in the governmental funds, only proceeds from a sale are reported. Thus, the change in net position differed from the change in fund balance by the net book value of all capital assets disposed of. (332,727)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenues. 107,778

In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.

Debt issued or incurred:

- Capital lease (789,437)
- Principal repayments:

  - Bonds payable 250,000
  - Note payable 44,618
  - Capital lease 237,177

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

- Accrued interest on debt, net change (12,942)
- Bond premium amortization 57,158
- Compensated absences, net change (22)
- Deferred outflows of resources:

  - Pension contributions, net change (55,296)
  - Pension economic/demographic losses (22,976)
  - Pension deficient earnings (72,876)
  - Pension assumption changes (21,692)

- Deferred inflows of resources:

  - Pension economic/demographic gains (139,506)
  - Net pension liability, net change 115,158

Change in net position - governmental activities \$ (73,387)

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

**BAILEY COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2017**

<b>ASSETS</b>		
Cash and cash equivalents		\$ 424,642
		<hr/>
Total assets		\$ 424,642
		<hr/> <hr/>
<b>LIABILITIES</b>		
Accounts payable		\$ 202,151
Due to other governments		44,357
Deposits		178,134
		<hr/>
Total liabilities		\$ 424,642
		<hr/> <hr/>

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

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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

The financial statements of Bailey County, Texas (County) have been prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles)(GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

**A. Financial Reporting Entity**

The County, incorporated in 1918, is a public corporation and political subdivision of the State of Texas. The County is governed by the Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County provides a variety of services to advance the welfare, morale, comfort, safety and convenience of the County and its citizens.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing the County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, but also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either, it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

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

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenue.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of the County's programs are offset by those programs' revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Taxes and other items not included among program revenue are reported instead as *general revenue*. In miscellaneous general revenues are non-program specific contributions including capital assets contributions.

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

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

Government-Wide Statements – Continuation

Fiduciary funds are excluded in the government-wide presentation of the financial statements.

Fund-Level Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Grant and entitlement revenues are also susceptible to accrual. These funds are accounted for on a spending “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Any fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus.

The accounts of the County are organized and operated 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, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The County reports the following major governmental funds:

**General Fund** – The *General Fund* is the general operating fund of the County. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for administrative, judicial, public facilities, public safety, public service, and capital acquisition.

**EMS Fund** - The *EMS Fund* is a special revenue fund used to account for the operations of the County’s emergency management services. The authority for the creation of this fund is the County Commission.

Additionally, the County reports the following fund types:

**Special Revenue Funds** – The *Special Revenue Funds* account for the proceeds of specific revenue sources (other than fiduciary funds) that are legally restricted to expenditures for specified purposes.

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**B. Financial Statement Presentation, Measurement Focus and Basis of Accounting – Continuation**

**Debt Service Fund** – The *Debt Service Funds* accounts for the accumulation and disbursement of resources associated with the County’s debt obligations. Property taxes and interest income provide the resources necessary to pay the annual principal and interest payments.

**Agency Funds** are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity**

**1. Deposits and Investments**

The County’s cash and cash equivalents are considered to be cash on hand, demand deposits, deposits within public fund investment pools and short-term investments with original maturities of three months or less from the date of acquisition. Statutes authorize the County to keep funds in demand deposits, time deposits, or securities of the United States. The County’s custodial banks are required to pledge for the purpose of securing County funds, securities of the following kind, in an amount equal to the amount of such County funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes.

The County is required by Government Code Chapter 2256, The Public Funds Investment Act (“Act”), to adopt, implement, and publicize an investment policy. That policy must be written, primarily emphasize safety of principal and liquidity, address investment diversification, yield, and maturity and the quality and capability of investment management, and include a list of the types of authorized investments in which the investing entity’s funds may be invested, and the maximum allowable stated maturity of any individual investment owned by the entity.

The Act requires an annual audit of investment policies. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that in the area of investment practices management has established and reports appropriate policies. The County adheres to the requirements of the Act. Additionally, investment practices of the County are in accordance with local policies.

**2. Receivables and Payables**

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

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation**

**2. Receivables and Payables – Continuation**

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.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenues in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$2,993,819.

Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

**3. Property Tax Calendar and Revenues**

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year unless the half payment option is elected in which one-half the tax is due November 30, and the balance the following June 30. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levies are shown net of an allowance for uncollectible accounts of \$156,230.

**4. Restricted Assets/Funds**

The following accounts reflect restricted status by third-party or statutory obligations for specific purposes:

- Other Non-Major Governmental fund balances (amounts restricted for other specific purposes such as management, and archiving of public records, personnel and security for the courthouse, maintenance of the County's law library, maintenance of the commissary in the Sheriff's Department, enhancement of local law enforcement operations with seized property, administration of pre-trial diversion programs, administration of juvenile probation programs, administration of drug and alcohol awareness programs, defraying the County's voter registration expenses, defraying the costs of collecting the vehicle inventory tax within the County, providing legal and health assistance to indigent persons, and enhancement of the county attorney operations with fees from processing dishonored and forged checks. All restrictions are enacted according to Texas statutes.)
- In addition to the statutory restrictions the County has also received various donations from persons outside of the County that are restricted to the donors stated purpose.

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation**

**5. Inventories and Prepaid Items**

Inventories, which consist of road materials, fuel, and food, are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The County uses the consumption method to record its prepaid items which requires reporting these items as assets and deferring the recognition of expenditures until the period in which prepaid items are used or consumed. In the fund financial statements, they are offset by a designation of non-spendable fund balance which indicates they do not represent “available spendable resources”.

**6. Capital Assets**

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. The County has opted to retroactively report infrastructure assets (assets acquired prior to October 1, 2003). According to the County’s capitalization policy, capital assets, such as equipment, are defined as individual assets (or systems of assets) having a cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	10-22 years
Machinery and equipment	5-12 years
Vehicles	3-7 years

**7. Compensated Absences**

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation**

**7. Compensated Absences – Continuation**

Qualified employees are entitled to accumulate annual leave of ten working days per year. No more than fifteen (15) working days, or one hundred twenty (120) hours, of annual leave may be carried forward at any one time during the year. All excess annual leave shall be forfeited if not used, unless extenuating circumstances warrant approval of an extension by the Commissioners' Court.

Qualified employees are entitled to accumulate official holidays if the employees working shifts require them to work on an official holiday. Depending on the employee's department, no more than thirty (30) to one hundred (100) holiday hours may be carried forward at any one time during the year. Accrued vacation leave and comp time are accrued in the government-wide financial statements.

**8. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. On the bond issues, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

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.

**9. 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 or resources (expense/expenditure) until then. The government has multiple items that qualify for reporting in this category. They are the contributions and other items related to the County's pension plan reported in the government-wide statement of net position.

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

Continued



**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation**

**10. Pensions**

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Texas County and District Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**11. Fund Balances**

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

**Non-spendable Fund Balance** – includes amounts that are (a) not in spendable forms, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

**Restricted Fund Balance** – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.

**Committed Fund Balance** – includes amounts that can only be used for the specific purposes determined by a formal action of the County's highest level of decision-making authority, the Commissioners' Court. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

**Assigned Fund Balance** – includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Commissioners' Court or (b) a body (budget, finance committee, or County Official) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted or committed.

**Unassigned Fund Balance** – this classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**E. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity – Continuation**

**12. Net Position**

In the government-wide financial statements, equity is classified as net assets and displayed in three categories.

**Net Investment in Capital Assets** – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

**Restricted Net Position** – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

**Unrestricted Net Position** – This amount includes all net position amounts that do not meet the definition of “net investment in capital assets” or “restricted net position.”

**13. Fund Balance Policies**

When the County incurs an expenditures for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first, then unrestricted funds. When expenditures are 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.

Committed fund balance amounts may be used for other purposes with appropriate action by the Commissioners’ Court to either modify or rescind a fund balance commitment. Commitments are typically done through adoption and amendment of the budget.

The County’s highest level of decision-making authority is the Commissioners’ Court. The Court has not yet delegated the authority to assign fund balance amounts to a specific individual nor does it have a policy to authorize the assignment of fund balances outside the Court.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the proposed budget is submitted to the Commissioners' Court.
2. The Commissioners' Court provides for a public hearing on the County budget subsequent to August 15, and prior to the levy of taxes by the Commissioners' Court.
3. Prior to October 1, the budget is legally adopted by order of the Commissioners' Court for the General Fund and the EMS Special Revenue Fund.

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continuation**

**A. Budgetary Information – Continuation**

4. The budget is prepared by fund and department with the legal level of control at the department level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Court as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Commissioners' Court. The Court has the authority to make such changes in the budget, in its judgment of facts, the law warrant, and the interest of the taxpayers demand, provided the amounts budgeted for the current expenditures from the various funds for the County do not exceed appropriations, including fund balances from the prior fiscal periods. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for both the General Fund and the EMS Special Revenue Fund.
5. Budgets for the General and Road and Bridge Special Revenue Funds are adopted on a basis consistent with GAAP on the modified accrual basis of accounting on an annual basis.
6. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund and the Road and Bridge Special Revenue Fund.
7. All appropriations, except those in grant funds, lapse at the end of the County's fiscal year and may be re-budgeted the next year.

**B. Excess of Expenditures Over Appropriations**

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation

Expenditures exceeded the budget in various functional areas in the General Fund

Action Taken

A combination of underspending in other functional categories, and excess revenues over budget, as well as the County planning to use fund balance carryovers have covered such overspendings.

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Following is a reconciliation of the County’s cash and deposit balances as of September 30, 2017:

Cash and deposit balances consist of:

Petty cash funds	\$	1,050
Bank deposits		2,474,862
Temporary investments - TexPool		37,561
		37,561
Total	\$	2,513,473

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:

Unrestricted	\$	1,711,755
Restricted		377,076
Fiduciary Funds Statement of Net Position		424,642
		424,642
Total	\$	2,513,473

**Custodial credit risk:** As of September 30, 2017, the carrying amount of the County's deposits with financial institutions was \$2,474,862 and the bank's balance was \$2,603,736. Of the bank balance, \$740,271 was insured through the Federal Depository Insurance Corporation (FDIC) and \$1,863,465 was collateralized with securities held by the pledging institution's agent in the County's name.

As of September 30, 2017, the County had \$37,561 invested with the Texas Treasury Safekeeping Trust Company (TexPool). The Inter-local Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool through which political subdivisions and other entities may invest public funds. The State Comptroller of Public Accounts exercises oversight responsibility over the fund. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally the State Comptroller has established an advisory board composed of both participants of the pool and other persons who do not have a business relationship with either pool. The advisory board members review the investment policy and management fee structure.

The investment pool uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool does not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. TexPool has a credit rating of AAAM from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principle. TexPool invests in a quality portfolio of debt securities investments that are legally permissible for local governments in the state.

**Interest rate risk** is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The County manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, readily available TexPool and Texas CLASS shares, or in certificates of deposit with weighted average maturities of one year or less.

**Credit risk** is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and County policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation**

*Concentration of credit risk* is the risk of loss attributed to the magnitude of a government’s investment in a single insurer. As of September 30, 2017, 1.5% of the County’s carrying value of cash and investments was invested in pooled investment accounts. All other cash and investments were deposited with the County’s depository bank and were adequately secured as described above.

**NOTE 4 – CAPITAL ASSETS**

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classification by function. As stated earlier, the County has opted to report its infrastructure retroactively.

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and land improvements	\$ 253,100	\$ -	\$ -	\$ 253,100
Total capital assets, not being depreciated	253,100	-	-	253,100
Capital assets, being depreciated:				
Buildings and improvements	4,027,767	-	-	4,027,767
Machinery and equipment	2,946,856	1,013,002	(689,074)	3,270,784
Vehicles	1,197,710	289,369	(123,170)	1,363,909
Total capital assets, being depreciated	8,172,333	1,302,371	(812,244)	8,662,460
Less accumulated depreciation for:				
Buildings and improvements	(2,580,795)	(147,006)	-	(2,727,801)
Machinery and equipment	(1,834,071)	(247,994)	417,475	(1,664,590)
Vehicles	(969,838)	(82,624)	62,042	(990,420)
Total accumulated depreciation	(5,384,704)	(477,624)	479,517	(5,382,811)
Total capital assets, being depreciated, net	2,787,629	824,747	(332,727)	3,279,649
Governmental activities capital assets, net	\$ 3,040,729	\$ 824,747	\$ (332,727)	\$ 3,532,749

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 4 – CAPITAL ASSETS – Continuation**

Depreciation expense for the year ended September 30, 2017 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Administrative	\$ 12,795
Public safety	172,220
Road and bridge	244,555
Public services	48,054
Total Depreciation Expense	\$ 477,624

**NOTE 5 – PROPERTY TAX**

The State of Texas Constitutional tax rate limit for both operations and debt service is \$.80 on each \$100 of assessed valuation. The tax rate on the 2016 tax roll was \$.7032 per \$100 for operations and \$.0915 per \$100 for debt service, which means that the County has a total tax margin of \$.0053 per \$100 and could raise up to \$18,129 additional revenue from the 2016 assessed valuation of \$342,054,098 before the limit is reached.

The State of Texas Constitutional tax rate limit for the maintenance of farm-to-market roads is \$.30 on each \$100 of assessed valuation. The tax rate on the 2016 tax roll was \$.1297 per \$100, which means that the County has a tax margin of \$.1703 per \$100 and could raise up to \$575,956 additional revenue from the 2016 assessed valuation of \$338,200,792 before the limit is reached.

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

**NOTE 6 – SALES TAX**

The County is entitled by provision of the State of Texas to a one-cent sales tax on all sales that occur within the County. The tax is assessed as a property tax reduction, for the County to use as general revenues. This sales tax is remitted monthly by the Comptroller of the State of Texas.

**NOTE 7 – RETIREMENT PLAN**

**Plan Description:** Bailey County provides retirement and death benefits for all of its employees, except temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of several nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 and is available at [www.tcdrs.org](http://www.tcdrs.org).

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7 – RETIREMENT PLAN** – Continuation

**Benefits Provided:** The plan provisions are adopted by the governing body of the County (employer), within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

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

**Employees Covered by Benefit Terms:** At September 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	46
Inactive employees entitled to but not yet receiving benefits	80
Active employees	81

**Contributions:** The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually.

The County contributed using the actuarially determined rate of 5.82% for the months of the accounting year in 2016 and 4.72% for the months of the accounting year in 2017. The contribution rate payable by the employee members is 7.0% for fiscal year 2017 as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

**Net Pension Liability:** The County's net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

**Actuarial Assumptions:** The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8%, net of investment expenses, including inflation
Cost-of-living adjustments	None

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7 – RETIREMENT PLAN** – Continuation

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.

The actuarial assumptions that determined the total pension liability as of December 31, 2016 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.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater, LLC. The number shown are based on January 2017 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

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

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
US Equities	13.50%	4.70%
Private Equity	16.00%	7.70%
Global Equities	1.50%	5.00%
International Equities - Developed	10.00%	4.70%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	0.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%

**Discount Rate:** The discount rate used to measure the total pension liability was 8.10%. 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:

Continued



**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7 – RETIREMENT PLAN – Continuation**

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, alternatives 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%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7 – RETIREMENT PLAN – Continuation**

**Changes in the Net Pension Liability / (Asset):**

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2015	\$ 6,783,701	\$ 6,459,305	\$ 324,396
Changes for the year:			
Service cost	255,155	-	255,155
Interest on total pension liability (1)	544,539	-	544,539
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(186,008)	-	(186,008)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(75,641)	(75,641)	-
Benefit payments	(303,931)	(303,931)	-
Administrative expenses	-	(5,190)	5,190
Member contributions	-	175,201	(175,201)
Net investment income	-	477,950	(477,950)
Employer contributions	-	145,689	(145,689)
Other (3)	-	(64,806)	64,806
Balances as of December 31, 2016	<u>\$ 7,017,815</u>	<u>\$ 6,808,577</u>	<u>\$ 209,238</u>

- (1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.  
(2) No plan changes valued.  
(3) Relates to allocation of system-wide items.

**Sensitivity of the net pension liability / (asset) to changes in the discount rate:** The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County's net pension liability / (asset) 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	\$ 7,798,295	\$ 7,017,815	\$ 6,358,701
Fiduciary net position	<u>6,808,577</u>	<u>6,808,577</u>	<u>6,808,577</u>
Net pension liability / (asset)	<u>\$ 989,718</u>	<u>\$ 209,238</u>	<u>\$ (449,876)</u>

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7 – RETIREMENT PLAN** – Continuation

**Pension plan fiduciary net position:** Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS financial report.

**Pension Expense / (Income):**

	January 1, 2016 to December 31, 2016
Service cost	\$ 255,155
Interest on total pension liability (1)	544,539
Effect of plan changes	-
Administrative expenses	5,190
Member contributions	(175,201)
Expected investment return net of investment expenses	(518,094)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(23,525)
Recognition of assumption changes or inputs	21,692
Recognition of investment gains or losses	113,021
Other (2)	64,806
Pension expense / (income)	\$ 287,583

(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.

**Deferred Inflows / Outflows of Resources:** As of December 31, 2016, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 139,506	\$ 24,857
Changes of assumptions	-	43,384
Net difference between projected and actual earnings	-	334,175
Contributions made subsequent to measurement date	N/A	87,981

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 7 – RETIREMENT PLAN – Continuation**

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:	
2017	\$ 111,187
2018	90,090
2019	53,603
2020	8,030
2021	-
Thereafter	-

**NOTE 8 – CONCENTRATION OF TAXPAYERS**

As of September 30, 2017, the following taxpayers accounted for a significant portion of the County’s total tax levy.

<u>Taxpayer</u>	<u>Industry</u>	<u>Tax Amount</u>	<u>Percent of Total Levy</u>
Taxpayer A	Railroad	\$ 177,934	5.64 %

**NOTE 9 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS**

**Individual Fund Inter-fund Receivables and Payables**

<u>Fund</u>	<u>Inter-fund Receivables</u>	<u>Inter-fund Payables</u>
General Fund	\$ 33,031	\$ -
Special Revenue Funds:		
Road and Bridge Precinct #1	-	16,924
Road and Bridge Precinct #4	-	16,107
	<u>\$ 33,031</u>	<u>\$ 33,031</u>

The primary purpose of inter-fund receivables and payables is the loaning of funds from the General Fund to Special Revenue Funds for the purpose of meeting current year expenditures.

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 9 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS – Continuation**

**Individual Fund Inter-fund Transfers**

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 26,140	\$ 341,031
Special Revenue Funds:		
EMS	337,138	-
Road and Bridge Precinct #1	-	6,535
Road and Bridge Precinct #2	-	6,535
Road and Bridge Precinct #3	-	6,535
Road and Bridge Precinct #4	-	6,535
Law Library	1,554	-
LEOSE Sheriff	2,339	-
	<u>\$ 367,171</u>	<u>\$ 367,171</u>

The primary purpose of inter-fund transfers is to supplement the resources of the special revenue funds.

**NOTE 10 – LONG-TERM LIABILITIES**

In March 2012, The County issued \$3,300,000 of Limited Tax Refunding Bonds, Series 2012 with interest rates ranging from 2.0% to 3.0%. The proceeds were used to advance refund \$3,160,000 of outstanding Combination Tax and Revenue Certificates of Obligation, Series 2003 which had interest rates ranging from 4.4% to 5.2%. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the Certificates of Obligation, Series 2003 are considered defeased and the liability for those bonds has been removed from the statement of net position. Principal payments on the Limited Tax Refunding Bonds, Series 2012 are made annually each July 1 with interest payments being made semi-annually each January 1 and July 1 until maturity on July 1, 2024. The County will levy ad valorem tax for the payments of the principal and interest.

The reacquisition price exceeded the net carrying amount of the old debt by \$184,529. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt.

In July 2015, the County signed a note payable in the amount of \$29,310 for a used 44J 4W Loader. The note is due in annual installments. From July 2016 through July 2017. The interest rate is 4.5% and the debt is collateralized by the equipment.

In November 2015, the County signed a note payable in the amount of \$155,800 for a 12M3 Motor Grader. The note is due in annual installments from November 2016 through November 2020. The interest rate is 2.5% and the debt is collateralized by the equipment.

Continued

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 10 – LONG-TERM LIABILITIES** – Continuation

The annual debt service requirement on long-term liabilities outstanding as of September 30, 2017 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Limited Tax Refunding					
Bonds, Series 2012	\$ 2,525,000	\$ -	\$ (250,000)	\$ 2,275,000	\$ 255,000
Deferred issuance premiums	156,519	-	(57,158)	99,361	-
Total bonds payable	2,681,519	-	(307,158)	2,374,361	255,000
Notes payable	170,778	-	(44,618)	126,160	30,381
Capital Leases	311,423	789,437	(237,177)	863,683	199,137
Compensated absences	92,724	63,649	(63,627)	92,746	9,300
Governmental activity long-term liabilities	<u>\$ 3,256,444</u>	<u>\$ 853,086</u>	<u>\$ (652,580)</u>	<u>\$ 3,456,950</u>	<u>\$ 493,818</u>

Long-term liability activity for the year ended September 30, 2017, was as follows:

Fiscal Year	Total	Limited Tax Refunding Bonds, Series 2012		Notes Payable		Capital Leases	
		Interest	Principal	Interest	Principal	Interest	Principal
2018	\$ 351,635	\$ 63,100	\$ 255,000	\$ 3,153	\$ 30,382	\$ 14,216	\$ 199,137
2019	351,535	58,000	260,000	2,394	31,141	17,122	182,894
2020	351,335	52,800	265,000	1,616	31,919	11,755	188,264
2021	348,385	44,850	270,000	817	32,718	6,281	140,160
2022	316,750	36,750	280,000	-	-	4,740	103,235
2023 - 2027	993,000	48,000	945,000	-	-	936	49,993
	<u>\$ 2,712,640</u>	<u>\$ 303,500</u>	<u>\$ 2,275,000</u>	<u>\$ 7,980</u>	<u>\$ 126,160</u>	<u>\$ 55,050</u>	<u>\$ 863,683</u>

The County paid interest expenses in the amount of \$90,296 during the fiscal year ended September 30, 2017.

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 11 – LEASES**

**Capital Leases**

The County has entered into various capital leases for equipment. The future minimum lease payments under capital lease and the net present value of the future minimum lease payments are as follow:

For Year Ended:		
2018	\$	213,353
2019		200,016
2020		200,019
2021		146,441
2022		107,975
2023 - 2027		<u>50,929</u>
.		
Total Future Lease Payments		918,733
Less amount representing interest		<u>55,050</u>
Present value of future minimum lease payments	\$	<u><u>863,683</u></u>
Interest rates		2.69 - 3.55%
Equipment	\$	1,740,726
Less accumulated amortization		<u>(374,588)</u>
Net value	\$	<u><u>1,366,138</u></u>

Amortization of leased equipment under capital assets is included with depreciation expense.

**Operating Leases**

The County leases various pieces of equipment under non-cancelable operating leases. Total costs for such leases were \$7,899 for the year ended September 30, 2017. The future minimum lease payments for these are as follows:

For Year Ended:		
2018	\$	7,899
2019		7,899
2020		<u>5,924</u>
.		
Total Future Lease Payments	\$	<u><u>21,722</u></u>

**BAILEY COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**NOTE 12 – RISK MANAGEMENT**

The County’s major areas of risk management are: public officials’, law enforcement, and automobile liability, general comprehensive liability and property damage, workers’ compensation, and employee health insurance. The County has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The County pays a deductible per incident except on the employee health insurance in which the deductible is the responsibility of the employee. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

**NOTE 13 – PRIOR PERIOD RESTATEMENTS**

	<b>Government-Wide Statements</b>	<b>Fund Level Statements</b>
	<b>Governmental Activities</b>	<b>Sheriff Commissary</b>
Net position/fund balance as of September 30, 2016, as previously reported	\$ 2,583,486	\$ -
To record capital asset incorrectly expensed	165,494	-
To record beginning balances in Sheriff Commissary special revenue fund	39,097	39,097
Total net restatement	204,591	39,097
Net position/fund balance as of October 1, 2016, as restated	\$ 2,788,077	\$ 39,097



**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**BAILEY COUNTY, TEXAS  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 2,297,208	\$ 2,297,208	\$ 2,393,555	\$ 96,347
Payments in lieu of taxes	200,000	200,000	278,584	78,584
Sales and miscellaneous taxes	1,000	1,000	2,054	1,054
Licenses and fees	676,275	676,275	630,675	(45,600)
Fines and forfeitures	106,350	106,350	102,845	(3,505)
Intergovernmental	276,901	276,901	294,316	17,415
Interest earnings	2,030	2,030	6,567	4,537
Miscellaneous	61,450	61,450	162,728	101,278
	<u>3,621,214</u>	<u>3,621,214</u>	<u>3,871,324</u>	<u>250,110</u>
<b>EXPENDITURES</b>				
Current:				
Administrative:				
County Judge	138,660	138,660	140,887	(2,227)
County Clerk	163,271	163,271	150,483	12,788
Non-departmental	490,798	490,798	317,437	173,361
County Treasurer	108,637	108,637	108,223	414
County Tax Assessor/Collector	108,024	108,024	100,645	7,379
	<u>1,009,390</u>	<u>1,009,390</u>	<u>817,675</u>	<u>191,715</u>
Judicial:				
County court	21,450	21,450	15,805	5,645
District court	163,332	163,332	163,229	103
District Clerk	111,112	111,112	103,203	7,909
Justice of the Peace & Constable	92,476	92,476	85,131	7,345
County Attorney	136,721	136,721	138,887	(2,166)
District Attorney	181,201	181,201	163,098	18,103
	<u>706,292</u>	<u>706,292</u>	<u>669,353</u>	<u>36,939</u>
Public facilities:				
Coliseum	100,748	100,748	102,913	(2,165)
	<u>100,748</u>	<u>100,748</u>	<u>102,913</u>	<u>(2,165)</u>

Continued

**BAILEY COUNTY, TEXAS**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Continuation	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
Current:				
Public safety:				
Law enforcement	1,777,291	1,777,291	1,852,522	(75,231)
Probation departments	39,571	39,571	34,384	5,187
EMS grant and education funds	67,000	67,000	11,139	55,861
Total public safety	<u>1,883,862</u>	<u>1,883,862</u>	<u>1,898,045</u>	<u>(14,183)</u>
Public service:				
Health services & aging	97,736	97,736	73,567	24,169
Extension service	113,099	113,099	110,441	2,658
Healthy county incentive	3,000	3,000	333	2,667
Total public service	<u>213,835</u>	<u>213,835</u>	<u>184,341</u>	<u>29,494</u>
Capital outlay	<u>114,151</u>	<u>114,151</u>	<u>281,501</u>	<u>(167,350)</u>
Total expenditures	<u>4,028,278</u>	<u>4,028,278</u>	<u>3,953,828</u>	<u>74,450</u>
<b>EXCESS OF REVENUES</b>				
<b>OVER (UNDER) EXPENDITURES</b>	<u>(407,064)</u>	<u>(407,064)</u>	<u>(82,504)</u>	<u>324,560</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of debt	-	-	76,192	76,192
Proceeds from insurance claims	-	-	55,970	55,970
Transfers in	-	-	26,140	26,140
Transfers out	(366,710)	(366,710)	(341,031)	25,679
Total other financing sources (uses)	<u>(366,710)</u>	<u>(366,710)</u>	<u>(182,729)</u>	<u>183,981</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(773,774)</u>	<u>(773,774)</u>	<u>(265,233)</u>	<u>508,541</u>
<b>FUND BALANCES - BEGINNING</b>	<u>1,780,737</u>	<u>1,780,737</u>	<u>1,780,737</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,006,963</u>	<u>\$ 1,006,963</u>	<u>\$ 1,515,504</u>	<u>\$ 508,541</u>

**BAILEY COUNTY, TEXAS**  
**EMS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Licenses and fees	\$ 275,000	\$ 275,000	\$ 286,654	\$ 11,654
Total revenues	<u>275,000</u>	<u>275,000</u>	<u>286,654</u>	<u>11,654</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety:				
EMS fund	<u>584,710</u>	<u>584,710</u>	<u>574,165</u>	<u>10,545</u>
Total public safety	<u>584,710</u>	<u>584,710</u>	<u>574,165</u>	<u>10,545</u>
Debt service:				
Principal	40,000	40,000	110,278	(70,278)
Interest	<u>-</u>	<u>-</u>	<u>5,442</u>	<u>(5,442)</u>
Total debt service	<u>40,000</u>	<u>40,000</u>	<u>115,720</u>	<u>(75,720)</u>
Total expenditures	<u>624,710</u>	<u>624,710</u>	<u>689,885</u>	<u>(65,175)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(349,710)</u>	<u>(349,710)</u>	<u>(403,231)</u>	<u>(53,521)</u>
<b>OTHER FINANCING SOURCES :</b>				
Proceeds from long-term debt	-	-	76,735	76,735
Transfers in	<u>359,710</u>	<u>359,710</u>	<u>337,138</u>	<u>(22,572)</u>
Total other financing sources	<u>359,710</u>	<u>359,710</u>	<u>413,873</u>	<u>54,163</u>
<b>NET CHANGE IN FUND BALANCE</b>	10,000	10,000	10,642	642
<b>FUND BALANCE - BEGINNING</b>	<u>10,202</u>	<u>10,202</u>	<u>10,202</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 20,202</u>	<u>\$ 20,202</u>	<u>\$ 20,844</u>	<u>\$ 642</u>

**BAILEY COUNTY, TEXAS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**Last 10 Years (will ultimately be displayed)**

	Year Ended December 31,		
	2016	2015	2014
<b>Total Pension Liability:</b>			
Service cost	\$ 255,155	\$ 229,327	\$ 213,458
Interest on total pension liability	544,539	511,108	473,394
Effect of plan changes	-	(37,851)	-
Effect of assumption changes or inputs	-	86,768	-
Effect of economic/demographic (gains) or losses	(186,008)	7,520	84,387
Benefit payments/refunds of contributions	(379,572)	(366,326)	(309,573)
Net change in total pension liability	234,114	430,546	461,666
Total pension liability, beginning	6,783,701	6,353,155	5,891,489
Total pension liability, ending (a)	<u>\$ 7,017,815</u>	<u>\$ 6,783,701</u>	<u>\$ 6,353,155</u>
<b>Fiduciary Net Position:</b>			
Employer contributions	\$ 145,689	\$ 143,277	\$ 147,293
Member contributions	175,201	172,609	159,853
Investment income net of investment expenses	477,950	63,547	425,627
Benefit payments/refunds of contributions	(379,572)	(366,326)	(309,573)
Administrative expenses	(5,190)	(4,632)	(4,776)
Other	(64,806)	25,075	21,259
Net change in fiduciary net position	349,272	33,550	439,683
Fiduciary net position, beginning	6,459,305	6,425,755	5,986,072
Fiduciary net position, ending (b)	<u>\$ 6,808,577</u>	<u>\$ 6,459,305</u>	<u>\$ 6,425,755</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 209,238</u>	<u>\$ 324,396</u>	<u>\$ (72,600)</u>
Fiduciary net position as a % of total pension liability	97.02%	95.22%	101.14%
Pensionable covered payroll	\$ 2,502,872	\$ 2,465,849	\$ 2,283,611
Net pension liability as a % of covered payroll	8.36%	13.16%	-3.18%



**OTHER SUPPLEMENTARY INFORMATION**

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific sources that are legally restricted to expenditures for specified purposes.

**County Clerk Records Archive** – The County Clerk Records Archive Fund accounts for revenue from fees collected by the County Clerk on the filing of documents of official public record. The revenue is to be used for specific archiving projects of the office.

**District Clerk Records Archive** – The District Clerk Records Archive Fund accounts for statutory fees collected by the District Clerk to be used for preservation, restoration and maintaining a District Court archive system.

**7<sup>th</sup> Court of Appeals** – The 7<sup>th</sup> Court of Appeals Fund accounts for statutory fees collected by the County and District Clerks on each civil case filed. The revenue is to be remitted to the 7<sup>th</sup> Court of Appeals to defray the county's costs of the appellate judicial system.

**Donations to County** – The Donations to County Fund accounts for funds received from outside donors. The donations are restricted to specific purposes as stipulated by the donors.

**Road and Bridge Precincts** – The Road and Bridge Precinct Funds accounts for the revenues derived from property taxes and license fees levied for purposes of road and bridge expenditures.

**Attorney Check Fee** – The Attorney Check Fee Fund accounts for fees collected by the County Attorney for every hot check processed through that office. The fees are dedicated by law to be used at the sole discretion of the County Attorney to defray the salaries and expenses of the prosecutor's office.

**Juvenile Probation Fee** – The Juvenile Probation Fee Fund accounts for local funds received from juvenile offenders within the county. The funds are dedicated by law to assist in the provision of juvenile probation services.

**Court Reporter** – The Court Reporter Fund accounts for statutory fees collected by the County and District Clerks on each civil case filed. The fees are dedicated by law to maintain a court reporter that is available for assignment in the court.

**Pre-trial Diversion Attorney Fees** – The Pre-trial Diversion Attorney Fees Fund accounts for fees charged to any defendant willing to participate in a pre-trial intervention program. The fees are dedicated by law to be used to administer and maintain the pre-trial diversion program.

**DWI Video** – The DWI Video Fund accounts for fees charged to any defendant appearing on a drug or alcohol related offense. The fees are dedicated by law to be used administer and maintain a drug and alcohol driving awareness program.

**Justice Court Security** – The Justice Court Security Fund accounts for fees collected by the County and District Clerks from all defendants convicted of an offense. The fees are dedicated by law to be used to fund and support security systems and personnel within the Justice Courts.

**Justice Court Technology** – The Justice Court Technology Fund accounts for fees collected by the County Clerk from all defendants convicted of a misdemeanor offense in a Justice Court. The fees are dedicated by law to be expended only for the costs of continuing education for justice court judges and clerks regarding technological enhancements for justice courts and the costs of those enhancements.

**Judiciary Support** – The Judiciary Support Fund accounts for additional funds received from the State of Texas to supplement the salary of the County Judge. The funds are restricted by law to be used to supplement the County Judge's office.



**Law Library** – The Law Library fund accounts for statutory fees collected in civil cases filed in County and District Courts. These fees are dedicated by law to provide and maintain a County law Library.

**Tobacco Settlement** – The Tobacco Settlement Fund accounts for the annual distribution from the State out of the Tobacco Settlement Permanent Trust Account. The funds are dedicated by law to offset the costs of providing indigent health care.

**Child Welfare** – The Child Welfare Fund accounts for funds received as donations from individuals serving as jurors. The donations are restricted for the benefit of the Bailey County Child Welfare Board.

**District Clerk Records Management** – The District Clerk Records Management Fund accounts for fees collected by the District Clerk from all defendants convicted of an offense. The fees are dedicated by law to be used for specific records management and preservation purposes of the office.

**Drug Seizure** – The Drug Seizure Fund accounts for the assets, and proceeds from the disposition of assets, used in the commission of criminal activity and subsequently seized by law enforcement officers. The funds are dedicated by law to be used solely for law enforcement purposes.

**Probate Judicial Education** – The Probate Judicial Education Fund accounts for fees collected by the County Clerk on Civil and Probate Court actions. The fees are dedicated by law to be used for the continuing education of the judge and staff of the Probate Court.

**Records Management** – The Records Management Fund accounts for fees collected by the District and County Clerks from all defendants convicted of an offense. The fees are dedicated by law to be used for specific records management and preservation purposes of the County.

**Courthouse Security** – The Courthouse Security Fund accounts for fees collected by the County and District Clerks from all defendants convicted of an offense. The fees are dedicated by law to be used to fund and support security systems and personnel within the District and County Courts.

**County Clerk Records Management** – The County Clerk Records Management Fund accounts for fees collected by the County Clerk from all defendants convicted of an offense. The fees are dedicated by law to be used for specific records management and preservation purposes of the office.

**LEOSE** – The LEOSE Funds accounts for funds received from the State of Texas on behalf of the Sheriff and the Constable. The funds are dedicated by law for use of continuing education of law enforcement personnel.

**Economic Development** – The Economic Development Fund accounts for funds received in prior years that have been committed by the Commissioners' Court to fund economic development programs within the County.

**Indigent Defense** – The Indigent Defense Fund accounts for fees collected by the County Clerk on all cases heard by a Justice of the Peace. The fees are dedicated by law to aid in the defense of an indigent person.

**SCAAP** – The SCAAP Fund accounts for grant funds from the State of Texas. The funds are to be used to pay the correctional officer salary costs for incarcerating undocumented criminal aliens.

**Sheriff Commissary** – The Sheriff Commissary Fund accounts for the proceeds received by the Sheriff's office from incarcerated persons on the sale of commissary items. The funds are restricted by law to be used to maintain the commissary and for the benefit of the Sheriff's Department.

## **DEBT SERVICE FUND**

The Debt Service Fund accounts for the accumulation and disbursement of resources associated with the County's debt obligations. Property taxes and interest income provide the resources necessary to pay the annual principal and interest payments.

**BAILEY COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	Special Revenue						
	County Clerk Records Archive	District Court Records Archive	7th Court of Appeals	Donations to County	Road & Bridge Precinct 1	Road & Bridge Precinct 2	Road & Bridge Precinct 3
<b>ASSETS</b>							
Cash and cash equivalents	\$ 38,204	\$ 4,853	\$ 120	\$ 16,497	\$ -	\$ 211,149	\$ 55,116
Delinquent taxes receivable, net	-	-	-	-	2,384	2,384	2,384
Receivable from other governments	-	-	-	-	13,514	13,514	13,514
Accounts receivable, net	-	-	-	-	250	3,555	-
Inventories	-	-	-	-	9,361	4,148	2,544
Prepaid items	-	-	-	10,365	1,897	1,893	1,148
	<u>38,204</u>	<u>4,853</u>	<u>120</u>	<u>26,862</u>	<u>27,406</u>	<u>236,643</u>	<u>74,706</u>
Total assets	<u>\$ 38,204</u>	<u>\$ 4,853</u>	<u>\$ 120</u>	<u>\$ 26,862</u>	<u>\$ 27,406</u>	<u>\$ 236,643</u>	<u>\$ 74,706</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 3,583	\$ 6,755	\$ 8,511
Due to other funds	-	-	-	-	16,924	-	-
Payable to other governments	-	-	120	-	36	-	-
Other accrued expenses	-	-	-	-	3,748	3,891	3,860
	<u>-</u>	<u>-</u>	<u>120</u>	<u>-</u>	<u>24,291</u>	<u>10,646</u>	<u>12,371</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>120</u>	<u>-</u>	<u>24,291</u>	<u>10,646</u>	<u>12,371</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - delinquent property taxes	-	-	-	-	1,879	1,879	1,879
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,879</u>	<u>1,879</u>	<u>1,879</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,879</u>	<u>1,879</u>	<u>1,879</u>
<b>FUND BALANCES</b>							
Non-spendable:							
Inventories	-	-	-	-	9,361	4,148	2,544
Prepaid items	-	-	-	10,365	1,897	1,893	1,148
Restricted:							
By enabling legislation for special projects	38,204	4,853	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Special projects	-	-	-	16,497	-	-	-
Committed for:							
Special projects	-	-	-	-	-	218,077	56,764
Unassigned (deficit)	-	-	-	-	(10,022)	-	-
	<u>38,204</u>	<u>4,853</u>	<u>-</u>	<u>26,862</u>	<u>1,236</u>	<u>224,118</u>	<u>60,456</u>
Total fund balances	<u>38,204</u>	<u>4,853</u>	<u>-</u>	<u>26,862</u>	<u>1,236</u>	<u>224,118</u>	<u>60,456</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 38,204</u>	<u>\$ 4,853</u>	<u>\$ 120</u>	<u>\$ 26,862</u>	<u>\$ 27,406</u>	<u>\$ 236,643</u>	<u>\$ 74,706</u>

Continued

**BAILEY COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

Continuation

	<b>Special Revenue</b>						
	<b>Road &amp; Bridge Precinct 4</b>	<b>Attorney Check Fee</b>	<b>Juvenile Probation Fee</b>	<b>Court Reporter</b>	<b>Pre-trial Diversion Attorney Fees</b>	<b>DWI Video</b>	<b>Justice Court Security</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ 2,360	\$ 1,571	\$ 11,901	\$ 4,080	\$ 1,139	\$ 2,061
Delinquent taxes receivable, net	2,384	-	-	-	-	-	-
Receivable from other governments	13,514	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	-
Inventories	3,974	-	-	-	-	-	-
Prepaid items	2,213	-	-	-	-	-	-
Total assets	<u>\$ 22,085</u>	<u>\$ 2,360</u>	<u>\$ 1,571</u>	<u>\$ 11,901</u>	<u>\$ 4,080</u>	<u>\$ 1,139</u>	<u>\$ 2,061</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 5,518	\$ 30	\$ -	\$ -	\$ 16	\$ -	\$ -
Due to other funds	16,107	-	-	-	-	-	-
Payable to other governments	-	-	-	-	-	-	-
Other accrued expenses	3,845	-	-	-	-	-	-
Total liabilities	<u>25,470</u>	<u>30</u>	<u>-</u>	<u>-</u>	<u>16</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - delinquent property taxes	1,835	-	-	-	-	-	-
Total deferred inflows of resources	<u>1,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>							
Non-spendable:							
Inventories	3,974	-	-	-	-	-	-
Prepaid items	2,213	-	-	-	-	-	-
Restricted:							
By enabling legislation for special projects	-	2,330	1,571	11,901	4,064	1,139	2,061
Debt service	-	-	-	-	-	-	-
Special projects	-	-	-	-	-	-	-
Committed for:							
Special projects	-	-	-	-	-	-	-
Unassigned (deficit)	(11,407)	-	-	-	-	-	-
Total fund balances	<u>(5,220)</u>	<u>2,330</u>	<u>1,571</u>	<u>11,901</u>	<u>4,064</u>	<u>1,139</u>	<u>2,061</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,085</u>	<u>\$ 2,360</u>	<u>\$ 1,571</u>	<u>\$ 11,901</u>	<u>\$ 4,080</u>	<u>\$ 1,139</u>	<u>\$ 2,061</u>

Continued

**BAILEY COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

Continuation

	<b>Special Revenue</b>						
	<b>Justice Court Technology</b>	<b>Judiciary Support</b>	<b>Law Library</b>	<b>Tobacco Settlement</b>	<b>Child Welfare</b>	<b>District Court Clerk Records Management</b>	<b>Drug Seizure</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 582	\$ -	\$ 210	\$ 39,914	\$ 488	\$ 6,837	\$ 1,850
Delinquent taxes receivable, net	-	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Total assets	<u>\$ 582</u>	<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 39,914</u>	<u>\$ 488</u>	<u>\$ 6,837</u>	<u>\$ 1,850</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ 515	\$ -	\$ 488	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Payable to other governments	-	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>515</u>	<u>-</u>	<u>488</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - delinquent property taxes	-	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>							
Non-spendable:							
Inventories	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Restricted:							
By enabling legislation for special projects	582	-	-	39,914	-	6,837	1,850
Debt service	-	-	-	-	-	-	-
Special projects	-	-	-	-	-	-	-
Committed for:							
Special projects	-	-	-	-	-	-	-
Unassigned (deficit)	-	-	(305)	-	-	-	-
Total fund balances	<u>582</u>	<u>-</u>	<u>(305)</u>	<u>39,914</u>	<u>-</u>	<u>6,837</u>	<u>1,850</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 582</u>	<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 39,914</u>	<u>\$ 488</u>	<u>\$ 6,837</u>	<u>\$ 1,850</u>

Continued

**BAILEY COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

Continuation

	<b>Special Revenue</b>						
	<b>Probate Judicial Education</b>	<b>Records Management</b>	<b>Courthouse Security</b>	<b>County Clerk Records Management</b>	<b>LEOSE Sheriff</b>	<b>LEOSE Constable</b>	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 879	\$ 14,876	\$ 14,911	\$ 31,421	\$ 6,490	\$ 2,675	\$ 19,208
Delinquent taxes receivable, net	-	-	-	-	-	-	-
Receivable from other governments	-	-	-	-	-	-	-
Accounts receivable, net	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 879</b>	<b>\$ 14,876</b>	<b>\$ 14,911</b>	<b>\$ 31,421</b>	<b>\$ 6,490</b>	<b>\$ 2,675</b>	<b>\$ 19,208</b>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 807	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Payable to other governments	-	-	-	-	-	-	-
Other accrued expenses	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>807</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue - delinquent property taxes	-	-	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>							
Non-spendable:							
Inventories	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-
Restricted:							
By enabling legislation for special projects	879	14,876	14,911	30,614	6,490	2,675	-
Debt service	-	-	-	-	-	-	-
Special projects	-	-	-	-	-	-	-
Committed for:							
Special projects	-	-	-	-	-	-	19,208
Unassigned (deficit)	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>879</b>	<b>14,876</b>	<b>14,911</b>	<b>30,614</b>	<b>6,490</b>	<b>2,675</b>	<b>19,208</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 879</b>	<b>\$ 14,876</b>	<b>\$ 14,911</b>	<b>\$ 31,421</b>	<b>\$ 6,490</b>	<b>\$ 2,675</b>	<b>\$ 19,208</b>

Continued

**BAILEY COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

Continuation

**Special Revenue**

	<b>Indigent Defense</b>	<b>SCAAP Grant</b>	<b>Sheriff Commissary</b>	<b>Total</b>	<b>Debt Service</b>	<b>Total Non- Major Governmental Funds</b>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 67,571	\$ 24,319	\$ 66,735	\$ 648,017	\$ 18,153	\$ 666,170
Delinquent taxes receivable, net	-	-	-	9,536	-	9,536
Receivable from other governments	-	-	-	54,056	994	55,050
Accounts receivable, net	-	-	-	3,805	-	3,805
Inventories	-	-	-	20,027	-	20,027
Prepaid items	-	-	-	17,516	-	17,516
	<u>67,571</u>	<u>24,319</u>	<u>66,735</u>	<u>752,957</u>	<u>19,147</u>	<u>772,104</u>
Total assets	<u>\$ 67,571</u>	<u>\$ 24,319</u>	<u>\$ 66,735</u>	<u>\$ 752,957</u>	<u>\$ 19,147</u>	<u>\$ 772,104</u>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ 5,184	\$ -	\$ 31,407	\$ -	\$ 31,407
Due to other funds	-	-	-	33,031	-	33,031
Payable to other governments	-	-	-	156	-	156
Other accrued expenses	-	-	-	15,344	-	15,344
	<u>-</u>	<u>5,184</u>	<u>-</u>	<u>79,938</u>	<u>-</u>	<u>79,938</u>
Total liabilities	<u>-</u>	<u>5,184</u>	<u>-</u>	<u>79,938</u>	<u>-</u>	<u>79,938</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - delinquent property taxes	-	-	-	7,472	-	7,472
	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,472</u>	<u>-</u>	<u>7,472</u>
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,472</u>	<u>-</u>	<u>7,472</u>
<b>FUND BALANCES</b>						
Non-spendable:						
Inventories	-	-	-	20,027	-	20,027
Prepaid items	-	-	-	17,516	-	17,516
Restricted:						
By enabling legislation for special projects	67,571	19,135	66,735	339,192	-	339,192
Debt service	-	-	-	-	19,147	19,147
Special projects	-	-	-	16,497	-	16,497
Committed for:						
Special projects	-	-	-	294,049	-	294,049
Unassigned (deficit)	-	-	-	(21,734)	-	(21,734)
	<u>67,571</u>	<u>19,135</u>	<u>66,735</u>	<u>665,547</u>	<u>19,147</u>	<u>684,694</u>
Total fund balances	<u>67,571</u>	<u>19,135</u>	<u>66,735</u>	<u>665,547</u>	<u>19,147</u>	<u>684,694</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 67,571</u>	<u>\$ 24,319</u>	<u>\$ 66,735</u>	<u>\$ 752,957</u>	<u>\$ 19,147</u>	<u>\$ 772,104</u>

**BAILEY COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<b>Special Revenue</b>						
	<b>County Clerk Records Archive</b>	<b>District Court Records Archive</b>	<b>7th Court of Appeals</b>	<b>Donations to County</b>	<b>Road &amp; Bridge Precinct 1</b>	<b>Road &amp; Bridge Precinct 2</b>	<b>Road &amp; Bridge Precinct 3</b>
<b>REVENUES</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 109,086	\$ 109,086	\$ 109,086
Licenses and fees	10,755	789	520	-	110,423	101,122	100,750
Intergovernmental	-	-	-	-	26,858	26,858	26,858
Investment earnings	81	12	-	-	37	732	289
Miscellaneous	3,442	-	-	-	2,571	6,209	2,457
Total revenues	<u>14,278</u>	<u>801</u>	<u>520</u>	<u>-</u>	<u>248,975</u>	<u>244,007</u>	<u>239,440</u>
<b>EXPENDITURES</b>							
Current:							
Administrative	286	-	520	4,769	-	-	-
Judicial	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Road and bridge	-	-	-	-	199,819	208,948	223,743
Debt service:							
Principal	-	-	-	-	67,984	29,640	33,543
Interest	-	-	-	-	1,332	3,895	6,466
Capital outlay	-	-	-	-	557,500	145,759	18,601
Total expenditures	<u>286</u>	<u>-</u>	<u>520</u>	<u>4,769</u>	<u>826,635</u>	<u>388,242</u>	<u>282,353</u>
<b>EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES</b>	13,992	801	-	(4,769)	(577,660)	(144,235)	(42,913)
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from long-term debt, net	-	-	-	-	309,341	114,159	-
Proceeds from sale of equipment	-	-	-	-	275,457	510	1,602
Proceeds from insurance claims	-	-	-	-	-	16,750	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(6,535)	(6,535)	(6,535)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>578,263</u>	<u>124,884</u>	<u>(4,933)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>13,992</u>	<u>801</u>	<u>-</u>	<u>(4,769)</u>	<u>603</u>	<u>(19,351)</u>	<u>(47,846)</u>
<b>FUND BALANCES - BEGINNING (DEFICIT) PRIOR PERIOD RESTATEMENT</b>	24,212	4,052	-	31,631	633	243,469	108,302
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - BEGINNING, AS RESTATED</b>	<u>24,212</u>	<u>4,052</u>	<u>-</u>	<u>31,631</u>	<u>633</u>	<u>243,469</u>	<u>108,302</u>
<b>FUND BALANCES - ENDING (DEFICIT)</b>	<u>\$ 38,204</u>	<u>\$ 4,853</u>	<u>\$ -</u>	<u>\$ 26,862</u>	<u>\$ 1,236</u>	<u>\$ 224,118</u>	<u>\$ 60,456</u>

Continued

**BAILEY COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<b>Special Revenue</b>						
	<b>Road &amp; Bridge Precinct 4</b>	<b>Attorney Check Fee</b>	<b>Juvenile Probation Fee</b>	<b>Court Reporter</b>	<b>Pre-trial Diversion Attorney Fees</b>	<b>DWI Video</b>	<b>Justice Court Security</b>
<b>REVENUES</b>							
Property taxes	\$ 109,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	91,013	1,047	986	1,095	4,400	90	-
Intergovernmental	26,858	-	-	-	-	-	-
Investment earnings	37	49	3	-	-	-	-
Miscellaneous	2,523	-	-	-	-	-	-
Total revenues	<u>229,531</u>	<u>1,096</u>	<u>989</u>	<u>1,095</u>	<u>4,400</u>	<u>90</u>	<u>-</u>
<b>EXPENDITURES</b>							
Current:							
Administrative	-	-	-	-	-	-	-
Judicial	-	2,276	-	-	1,785	-	-
Public safety	-	-	318	-	-	-	-
Road and bridge	199,021	-	-	-	-	-	-
Debt Service:							
Principal	40,350	-	-	-	-	-	-
Interest and other charges	5,061	-	-	-	-	-	-
Capital Outlay	299,010	-	-	-	-	-	-
Total expenditures	<u>543,442</u>	<u>2,276</u>	<u>318</u>	<u>-</u>	<u>1,785</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES</b>	(313,911)	(1,180)	671	1,095	2,615	90	-
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from long-term debt, net	213,010	-	-	-	-	-	-
Proceeds from sale of equipment	86,000	-	-	-	-	-	-
Proceeds from insurance claims	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	(6,535)	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>292,475</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(21,436)</u>	<u>(1,180)</u>	<u>671</u>	<u>1,095</u>	<u>2,615</u>	<u>90</u>	<u>-</u>
<b>FUND BALANCES - BEGINNING (DEFICIT) PRIOR PERIOD RESTATEMENT</b>	16,216	3,510	900	10,806	1,449	1,049	2,061
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - BEGINNING, AS RESTATEMENT</b>	<u>16,216</u>	<u>3,510</u>	<u>900</u>	<u>10,806</u>	<u>1,449</u>	<u>1,049</u>	<u>2,061</u>
<b>FUND BALANCES - ENDING (DEFICIT)</b>	<u>\$ (5,220)</u>	<u>\$ 2,330</u>	<u>\$ 1,571</u>	<u>\$ 11,901</u>	<u>\$ 4,064</u>	<u>\$ 1,139</u>	<u>\$ 2,061</u>

Continued



BAILEY COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue						
	Justice Court Technology	Judiciary Support	Law Library	Tobacco Settlement	Child Welfare	District Court Clerk Records Management	Drug Seizure
<b>REVENUES</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	900	-	3,570	-	-	927	-
Intergovernmental	-	-	-	11,125	-	-	-
Investment earnings	-	-	-	-	-	16	6
Miscellaneous	-	-	-	-	488	-	-
Total revenues	<u>900</u>	<u>-</u>	<u>3,570</u>	<u>11,125</u>	<u>488</u>	<u>943</u>	<u>6</u>
<b>EXPENDITURES</b>							
Current:							
Administrative	-	98	-	-	356	-	-
Judicial	1,414	-	5,534	-	-	-	-
Public safety	-	-	-	-	-	-	5,474
Road and bridge	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Total expenditures	<u>1,414</u>	<u>98</u>	<u>5,534</u>	<u>-</u>	<u>356</u>	<u>-</u>	<u>5,474</u>
<b>EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES</b>	(514)	(98)	(1,964)	11,125	132	943	(5,468)
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from long-term debt, net	-	-	-	-	-	-	-
Proceeds from sale of equipment	-	-	-	-	-	-	-
Proceeds from insurance claims	-	-	-	-	-	-	-
Transfers in	-	-	1,554	-	-	-	-
Transfers out	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>1,554</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(514)</u>	<u>(98)</u>	<u>(410)</u>	<u>11,125</u>	<u>132</u>	<u>943</u>	<u>(5,468)</u>
<b>FUND BALANCES - BEGINNING (DEFICIT) PRIOR PERIOD RESTATEMENT</b>	1,096	98	105	28,789	(132)	5,894	7,318
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - BEGINNING, AS RESTATEMENT</b>	<u>1,096</u>	<u>98</u>	<u>105</u>	<u>28,789</u>	<u>(132)</u>	<u>5,894</u>	<u>7,318</u>
<b>FUND BALANCES - ENDING (DEFICIT)</b>	<u>\$ 582</u>	<u>\$ -</u>	<u>\$ (305)</u>	<u>\$ 39,914</u>	<u>\$ -</u>	<u>\$ 6,837</u>	<u>\$ 1,850</u>

Continued

BAILEY COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue						
	Probate Judicial Education	Records Management	Courthouse Security	County Clerk Records Management	LEOSE Sheriff	LEOSE Constable	
<b>REVENUES</b>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and fees	115	1,969	3,939	10,840	-	-	-
Intergovernmental	-	-	-	-	1,736	682	-
Investment earnings	2	38	-	70	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>117</u>	<u>2,007</u>	<u>3,939</u>	<u>10,910</u>	<u>1,736</u>	<u>682</u>	<u>-</u>
<b>EXPENDITURES</b>							
Current:							
Administrative	-	1,090	275	3,858	-	-	-
Judicial	-	-	-	-	-	-	-
Public safety	-	-	-	-	922	108	-
Road and bridge	-	-	-	-	-	-	-
Debt Service:							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>1,090</u>	<u>275</u>	<u>3,858</u>	<u>922</u>	<u>108</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES</b>	117	917	3,664	7,052	814	574	-
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from long-term debt, net	-	-	-	-	-	-	-
Proceeds from sale of equipment	-	-	-	-	-	-	-
Proceeds from insurance claims	-	-	-	-	-	-	-
Transfers in	-	-	-	-	2,339	-	-
Transfers out	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,339</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>117</u>	<u>917</u>	<u>3,664</u>	<u>7,052</u>	<u>3,153</u>	<u>574</u>	<u>-</u>
<b>FUND BALANCES - BEGINNING (DEFICIT) PRIOR PERIOD RESTATEMENT</b>	762	13,959	11,247	23,562	3,337	2,101	19,208
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - BEGINNING, AS RESTATED</b>	<u>762</u>	<u>13,959</u>	<u>11,247</u>	<u>23,562</u>	<u>3,337</u>	<u>2,101</u>	<u>19,208</u>
<b>FUND BALANCES - ENDING (DEFICIT)</b>	<u>\$ 879</u>	<u>\$ 14,876</u>	<u>\$ 14,911</u>	<u>\$ 30,614</u>	<u>\$ 6,490</u>	<u>\$ 2,675</u>	<u>\$ 19,208</u>

Continued

**BAILEY COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Continuation

	Special Revenue					Total Non- Major Governmental Funds
	Indigent Defense	SCAAP Grant	Sheriff Commissary	Total	Debt Service	
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ 436,358	\$ 297,860	\$ 734,218
Licenses and fees	-	-	-	445,250	-	445,250
Intergovernmental	8,165	28,086	-	157,226	-	157,226
Investment earnings	-	-	137	1,509	484	1,993
Miscellaneous	-	-	34,594	52,284	10,388	62,672
	8,165	28,086	34,731	1,092,627	308,732	1,401,359
Total revenues						
<b>EXPENDITURES</b>						
Current:						
Administrative	-	-	-	11,252	-	11,252
Judicial	-	-	-	11,009	-	11,009
Public safety	-	8,951	7,093	22,866	-	22,866
Road and bridge	-	-	-	831,531	-	831,531
Debt Service:						
Principal	-	-	-	171,517	250,000	421,517
Interest and other charges	-	-	-	16,754	68,100	84,854
Capital Outlay	-	-	-	1,020,870	-	1,020,870
	-	8,951	7,093	2,085,799	318,100	2,403,899
Total expenditures						
<b>EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES</b>	8,165	19,135	27,638	(993,172)	(9,368)	(1,002,540)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from long-term debt, net	-	-	-	636,510	-	636,510
Proceeds from sale of equipment	-	-	-	363,569	-	363,569
Proceeds from insurance claims	-	-	-	16,750	-	16,750
Transfers in	-	-	-	3,893	-	3,893
Transfers out	-	-	-	(26,140)	-	(26,140)
	-	-	-	994,582	-	994,582
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>						
	8,165	19,135	27,638	1,410	(9,368)	(7,958)
<b>NET CHANGE IN FUND BALANCES</b>						
<b>FUND BALANCES - BEGINNING (DEFICIT) PRIOR PERIOD RESTATEMENT</b>	59,406	-	-	625,040	28,515	653,555
	-	-	39,097	39,097	-	39,097
<b>FUND BALANCES - BEGINNING, AS RESTATEMENT</b>	59,406	-	39,097	664,137	28,515	692,652
<b>FUND BALANCES - ENDING (DEFICIT)</b>	\$ 67,571	\$ 19,135	\$ 66,735	\$ 665,547	\$ 19,147	\$ 684,694

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## **FIDUCIARY FUNDS**

### **AGENCY FUNDS**

The Agency Funds account for assets received in the capacity of trustee or agent for the County, other governmental entity or individual.

**Justices of the Peace** – The Justices of the Peace Fund accounts for money held in escrow by each of the Justices of the Peace.

**Meals on Wheels** – The Meals on Wheels Fund accounts for donations received for the County to operate a Meals on Wheels program.

**Tax Assessor Collector** – The Tax Assessor Collector Fund accounts for money collected by the Tax Assessor Collector and remitted to various taxing jurisdictions.

**County Clerk** – The County Clerk’s Fund accounts for registry funds held by the County Clerk.

**District Clerk** – The District Clerk’s Fund accounts for registry funds held by the District Clerk.

**County Attorney** – The County Attorney Fund accounts for the partial payments of restitution and fees associated with the collection of hot checks within the County limits.

**Inmate Trust** – The Inmate Trust Fund accounts for inmate funds being held for the benefit of the inmates.

**Juvenile Probation Trust** – The Juvenile Probation Trust Fund accounts for funds being held for the benefit of juvenile offenders within the County.

**BAILEY COUNTY, TEXAS**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUNDS**  
**SEPTEMBER 30, 2017**

	<b>Justice of the Peace</b>	<b>Meals on Wheels</b>	<b>Tax Assessor Collector</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,566	\$ 25,704	\$ 52,043
Total assets	\$ 2,566	\$ 25,704	\$ 52,043
<b>LIABILITIES</b>			
Accounts payable	\$ 2,566	\$ 25,704	\$ 7,686
Due to other governments	-	-	44,357
Deposits	-	-	-
Total liabilities	\$ 2,566	\$ 25,704	\$ 52,043

<b>County Clerk</b>	<b>District Clerk</b>	<b>County Attorney</b>	<b>Inmate Trust</b>	<b>Juvenile Probation Trust</b>	<b>Total Agency Funds</b>
\$ 63,988	\$ 239,418	\$ 27,326	\$ 13,220	\$ 377	\$ 424,642
<u>\$ 63,988</u>	<u>\$ 239,418</u>	<u>\$ 27,326</u>	<u>\$ 13,220</u>	<u>\$ 377</u>	<u>\$ 424,642</u>
\$ 2,503	\$ 135,775	\$ 27,326	\$ 214	\$ 377	\$ 202,151
-	-	-	-	-	44,357
61,485	103,643	-	13,006	-	178,134
<u>\$ 63,988</u>	<u>\$ 239,418</u>	<u>\$ 27,326</u>	<u>\$ 13,220</u>	<u>\$ 377</u>	<u>\$ 424,642</u>

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**PART III**  
**COMPLIANCE**



To The Honorable County Judge and  
Commissioners Comprising the  
Commissioners' Court of  
Bailey County, Texas

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

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, the business-type activities, each major fund and its respective budgetary comparison schedules, and the aggregate remaining fund information of Bailey County, Texas as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Bailey County, Texas' basic financial statements and have issued our report thereon dated March 29, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bailey 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 Bailey County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Bailey 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bailey 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.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

March 29, 2018