

Midland County, Texas

Annual Financial Report

For the Fiscal Year Ended September 30, 2017

Prepared by the Department of County Auditor
Veronica Morales – County Auditor

Midland County, Texas
 Annual Financial Report
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Financial Section

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Independent Auditor's Report

The Honorable County Judge and
Commissioners Court of Midland County
Midland County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Midland County, Texas, as of and for the fiscal 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities each major fund and the aggregate remaining fund information of Midland County, Texas, as of September 30, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable County Judge and
Commissioners Court of Midland County
Midland County, Texas

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Texas County District Retirement System Schedule of Changes in the Employer's Net Pension Liability and Related Ratios, the Texas County Retirement System Schedule of Employer Contributions, and budget (GAAP basis) and actual comparison information on pages 7 through 13 and 65 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The combining and individual nonmajor fund financial statements and statistical section and the schedule of expenditures of state awards, as required by the audit requirements of the State of Texas Single Audit Circular under the Uniform Grant Management Standards issued by the Governor's Office of Budget and Planning (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, has been subjected to the auditing procedures applied in the audit of the 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 to 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.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

The Honorable County Judge and
Commissioners Court of Midland County
Midland County, Texas

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2018, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
June 5, 2018

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Management's Discussion and Analysis

This discussion and analysis of Midland County, Texas (County) is intended to be an easily readable analysis of the County's financial activities based on currently known facts, decisions or conditions for the fiscal year ended September 30, 2017. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the accompanying basic financial statements and notes to the financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$214,604,691 (net position). Of this amount, \$67,984,157 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the County's fund designation and fiscal policies. The County's total net position increased by \$14,330,152.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of \$109,517,711. Of this total amount, \$62,091,343 or 57% is unassigned and available for use within the County's designation and fiscal policies.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$62,091,343 or 77% of the total general fund expenditures.

Overview Of The Financial Statements

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private sector business. They present the financial picture of the County from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the County, as well as all liabilities, including long-term debt. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The *Statement of Net Position* presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position contrasted with budgetary decisions should serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how net position changed during the most recent fiscal year using full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, e.g., earned but unused vacation/holiday leave and accounts receivable.

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues, governmental activities, from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general administration, judicial, financial administration, elections, public safety and corrections, health and welfare, culture and recreation, conservation and natural resources, highways and roads, and interest on long-term debt.

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

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

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

The County maintains and reports 71 individual governmental funds of which 64 are special revenue funds, one capital projects funds, one debt service fund, three internal service funds, the Road and Bridge Fund and the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, the Road and Bridge Fund, the Debt Service Fund, and the Capital Projects Fund, which are classified as major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund, a component of proprietary funds, is used to report activities that provide supplies and services for other programs and activities – such as the County's risk management fund, health care fund and fleet maintenance fund. Because these services benefit governmental functions, the Internal Service Fund is reported with governmental activities in the government-wide financial statements.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the general fund and other major fund budgetary schedules and also includes notes to the supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the County's financial position. In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$214,604,691 at the close of this fiscal year.

Statement of Net Position Governmental Activities

	2017	2016
Current and other assets	\$ 130,119,635	\$ 108,784,504
Capital assets, net of accumulated depreciation	145,884,893	146,187,181
Total assets	276,004,528	254,971,685
Total deferred outflows of resources	12,739,328	14,946,008
Current and other liabilities	5,939,376	5,411,303
Noncurrent liabilities	66,767,610	63,158,006
Total liabilities	72,706,986	68,569,309
Total deferred inflows of resources	1,432,179	1,073,845
Net position:		
Net investment in capital assets	129,496,408	128,759,583
Restricted, legislation and grants	17,094,805	15,158,274
Restricted, debt service	29,321	1,045,790
Unrestricted net position	67,984,157	55,310,892
Total net position	\$ 214,604,691	\$ 200,274,539

The County's unrestricted net position, represents those assets which may be used to meet the ongoing obligations to the County's citizens or creditors.

An additional portion of the County's net position, 60% reflects its net investment in capital assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

At the end of the fiscal year, the County reported positive net position in all categories of net position. The net position increased from the prior fiscal year by \$14,330,152. The following table provides a summary of the County's operations for years ended September 30, 2017 and 2016.

Statement of Activities
Years Ended September 30, 2017 and 2016

	2017		2016	
	Governmental Activities	Percentage of Total	Governmental Activities	Percentage of Total
Revenues				
Program revenues				
Charges for services	\$ 13,357,868	14.2%	\$ 8,795,655	11.2%
Operating grants and contributions	3,813,111	4.0%	2,123,179	2.7%
General revenues				
Property taxes	33,198,763	35.2%	31,691,056	40.2%
Sales tax	38,616,646	41.0%	30,790,248	39.1%
Bingo tax	85,450	0.1%	106,714	0.1%
Mixed beverage tax	849,297	0.9%	751,591	1.0%
Hotel-motel tax	906,240	1.0%	695,480	0.9%
Motor vehicle sales and use tax	1,616,241	1.7%	1,811,134	2.3%
Unrestricted investment earnings	764,559	0.8%	628,335	0.8%
Loss on sale of capital assets	(196,698)	-0.2%	-	0.0%
Miscellaneous	1,202,180	1.3%	1,363,020	1.7%
Total revenues	94,213,657	100.0%	78,756,412	100.0%
Expenses				
General administration	12,293,502	15.4%	11,915,192	15.7%
Judicial	18,802,089	23.5%	17,129,275	22.5%
Financial administration	3,667,133	4.6%	3,345,084	4.4%
Elections	620,092	0.8%	560,889	0.7%
Public safety and corrections	29,011,325	36.3%	27,079,545	35.6%
Health and welfare	1,217,139	1.5%	1,188,446	1.6%
Cultural and recreation	6,626,791	8.3%	6,050,548	8.0%
Conservation and natural resources	157,712	0.2%	163,249	0.2%
Highways and roads	6,878,016	8.6%	7,891,750	10.4%
Interest on long-term debt	609,706	0.8%	749,969	1.0%
Total expenses	79,883,505	100.0%	76,073,947	100.0%
Change in net position	14,330,152		2,682,465	
Net position - beginning of year	200,274,539		219,191,447	
Change in accounting principle	-		(21,599,373)	
Net position - beginning of year, as restated	200,274,539		197,592,074	
Net position, end of year	\$ 214,604,691		\$ 200,274,539	

Governmental Activities. Net position of the governmental activities increased \$14,330,152 during the year. In General Revenues, sales tax increased by \$7,826,398 or 25% due to an increase in consumer spending in the County. Charges for services increased \$4,562,213 or 52% due to more collections for fines and forfeitures. Property tax revenues increased \$1,507,707 or 5% due to a higher tax rate and appraised values.

Total expenses increased from the prior year by \$3,809,558, or 5% due primarily to highways and roads, public safety and corrections, and judicial expenses. The increases in public safety and corrections, and judicial expenses is largely due to the increase in personnel for public safety and corrections as well as increased judicial fees to pay for court appointed attorneys. The increase for highway and roads is for repair and maintenance.

Governmental Funds Financial Analysis

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the County's fiscal management and accountability.

The general government functions are reported in the general, road and bridge, debt service, capital project, and nonmajor governmental funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's annual financing and budgeting requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$109,517,711. The unassigned fund balance, \$62,091,343, is used as a management and budgetary tool and is available for spending at the County's discretion. The remainder of the fund balance is nonspendable, restricted, committed or assigned to indicate that it has already been earmarked. The majority of the restricted amount is attributable to road improvements and special revenue funds whose restrictions are stipulated by enabling legislation. The assigned amount is attributable to funds set aside for future capital projects and compensated absences.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$62,091,343 as compared to \$47,527,486 in unassigned funds in the prior year. As a measure of the general fund's liquidity, we compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 107% of total fund expenditures, while total fund balance represents 139% of total fund expenditures.

The road and bridge fund reflects a fund balance of \$11,301,950 which represents a increase of \$962,439 as compared with the prior year. The increase is primarily due to the transfers of funds from the general fund for renovation of county roads.

The debt service fund has a total fund balance of \$29,321 as compared to \$1,087,402 in the prior year. The decrease of \$1,058,081 is due to payment of debt service. All of the fund balance within the debt service fund is restricted for the payment of debt service.

The capital projects fund accounts for receipts and disbursements relating to the acquisition and construction of major capital projects. At the end of the fiscal year, the fund balance is \$10,821,782 an increase of \$2,947,125. The increase resulted transfers from general fund to cover capital expenditures.

General Fund Budgetary Highlights

A deficit amended budget was approved for fiscal year 2017 in the amount of \$9,544,290 as compared to the original budget which planned for a deficit of \$10,035,820. The deficit was to be appropriated from the unassigned fund balance. However, actual revenues exceeded the final budget by \$17,631,498. Included in this amount are \$3,633,007 in property taxes, \$10,616,646 in sales tax, and \$2,214,062 in charges for services.

The original budgeted expenditures differ from the final budgeted expenditures by a decrease of \$444,857 which is attributable to amendments to decrease general and administrative expenditures. The favorable variance of \$6,696,475 between actual and budgeted expenditures is mainly due to the County departments being conservative and holding expenditures to a minimum to support the overall County budget.

Debt Administration and Capital Assets

Long-term Debt. At September 30, 2017, the County had a total long-term debt outstanding in the amount of \$20,360,236. According to the Texas statutes, the County has a debt margin of \$3,855,665,795.

The County's bond rating is "AA+" from Standard & Poor's, "Aa" from Moody's and a AAA rating from Fitch for general obligation debt.

The following represents the activity of the long-term debt of the County for fiscal year 2017:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities:				
General obligation bonds	\$ 17,665,000	\$ -	\$ 1,045,000	\$ 16,620,000
Unamortized premium on general obligation bonds	1,242,080	-	110,242	1,131,838
Capital lease obligation	1,625	6,700	5,425	2,900
Compensated absences	2,692,680	-	87,182	2,605,498
Total	<u>\$ 21,601,385</u>	<u>\$ 6,700</u>	<u>\$ 1,247,849</u>	<u>\$ 20,360,236</u>

Capital Assets. The capital assets of the County are those assets (land, buildings and improvements, roads, machinery and equipment and construction in progress), which are used in the performance of the County's functions including infrastructure assets. At September 30, 2017, net capital assets of the governmental activities totaled \$145,884,893 reflecting a net decrease of \$302,288 in asset additions less retirements and adjustments. Depreciation on capital assets is recognized in the Government-wide financial statements. Annual depreciation for buildings and improvements, infrastructure and machinery and equipment totaled \$8,959,218.

Additional information on the County's capital assets and debt can be found in Notes 5 and 10 in the notes to financial statements.

Economic Factors and Next Year's Budgets and Rates

The annual budget is developed to provide efficient, effective and controlled use of the County's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the County Commissioners set the direction of the County, allocate its resources and establish its priorities.

The final fiscal year 2018 budget was adopted on September 11, 2017 with total general fund expenditures of \$75,736,104, a 16% increase from the fiscal year 2017 budgeted expenditures. The County's combined tax rate is \$0.153169 for fiscal year 2018. The Commissioners' Court adopted a budgeted excess of \$8,599,504 with the deficit to be appropriated from the unassigned fund balance.

Request for Information

This financial report is designed to provide our citizens, taxpayers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the County Auditor at P.O. Box 421, Midland, Texas 79702, 432-688-4860, or visit the County's web site at www.co.midland.tx.us.

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Basic Financial Statements

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Midland County, Texas
Statement of Net Position
September 30, 2017

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,426,940
Certificates of deposit	21,664,948
Investments	87,616,644
Receivables (net of allowance for uncollectibles)	6,661,795
Inventory	1,229,723
Other assets	207,648
Due from other governments	10,311,937
Capital assets (net of accumulated depreciation):	
Land	2,734,366
Buildings and improvements	92,639,393
Construction in progress	5,510,789
Infrastructure	33,734,348
Machinery and equipment	11,265,997
Total assets	276,004,528
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows from refunding of debt	1,366,253
Deferred outflows related to pension	11,373,075
Total deferred outflows of resources	12,739,328
LIABILITIES	
Accounts payable and other current liabilities	5,180,070
Accrued interest payable	73,723
Due to other governments	552,845
Unearned revenue	132,738
Noncurrent liabilities	
Net pension liability	14,590,845
OPEB liability	31,816,529
Due within one year	3,563,123
Due in more than one year	16,797,113
Total liabilities	72,706,986
DEFERRED OUTFLOWS OF RESOURCES	
Deferred inflows related to pension	1,432,179
Total deferred inflows of resources	1,432,179
NET POSITION	
Net investment in capital assets	129,496,408
Restricted, legislation and grants	17,094,805
Restricted, debt service	29,321
Unrestricted	67,984,157
TOTAL NET POSITION	\$ 214,604,691

The Notes to the Financial Statements are an integral part of this statement.

Midland County, Texas
Statement of Activities
For the Fiscal Year Ended September 30, 2017

<u>Functions / Programs</u>	<u>Expenses</u>
Primary Government	
Governmental activities:	
General administration	\$ 12,293,502
Judicial	18,802,089
Financial administration	3,667,133
Elections	620,092
Public safety and corrections	29,011,325
Health and welfare	1,217,139
Culture and recreation	6,626,791
Conservation and natural resources	157,712
Highways and roads	6,878,016
Interest on long-term debt	609,706
Total governmental activities	79,883,505
TOTAL PRIMARY GOVERNMENT	\$ 79,883,505

The Notes to the Financial Statements are an integral part of this statement.

Program Revenues		Changes in Net Position	
Charges for Services	Operating Grants and Contributions	Primary Government	Total
\$ 939,295	\$ 2,282,664	\$	(9,071,543)
8,311,927	1,044,504		(9,445,658)
-	-		(3,667,133)
115	89,885		(530,092)
1,972,228	290,286		(26,748,811)
28,900	-		(1,188,239)
17,187	80,806		(6,528,798)
-	-		(157,712)
2,088,216	24,966		(4,764,834)
-	-		(609,706)
<u>13,357,868</u>	<u>3,813,111</u>		<u>(62,712,526)</u>
<u>\$ 13,357,868</u>	<u>\$ 3,813,111</u>		<u>(62,712,526)</u>
General revenues:			
Property taxes			33,198,763
Sales tax			38,616,646
Bingo tax			85,450
Mixed beverage tax			849,297
Hotel-motel tax			906,240
Motor vehicle sales and use tax			1,616,241
Unrestricted investment earnings			764,559
Loss on sale of capital assets			(196,698)
Miscellaneous			1,202,180
Total general revenues			<u>77,042,678</u>
Change in net position			14,330,152
Net position - beginning of year			<u>200,274,539</u>
NET POSITION - END OF YEAR		\$	<u><u>214,604,691</u></u>

Midland County, Texas
 Balance Sheet – Governmental Funds
 September 30, 2017

	General Fund	Road and Bridge Fund
ASSETS		
Cash and cash equivalents	\$ 1,384,329	\$ 2,017
Certificates of deposit	21,664,948	-
Investments	63,209,113	5,063,243
Property taxes receivable, (net of allowance for uncollectibles)	962,956	-
Accounts receivable, (net of allowance for uncollectibles)	5,448,271	1,817
Due from other funds	823,791	6,018,909
Due from other governmental agencies	8,211,298	31,416
Inventory	-	1,229,723
Prepaid expenses	178,988	-
TOTAL ASSETS	\$ 101,883,694	\$ 12,347,125
LIABILITIES		
Accounts payable	\$ 1,770,516	\$ 979,709
Benefits payable	860,815	65,466
Due to other funds	11,545,064	-
Due to other governmental agencies	552,845	-
Unearned revenue	132,738	-
Other liabilities	13,515	-
Total liabilities	14,875,493	1,045,175
DEFERRED INFLOWS OF RESOURCES		
Deferred tax revenue	858,683	-
Other deferred inflows	5,367,449	-
Total deferred inflows	6,226,132	-
FUND BALANCES		
Nonspendable		
Prepays	178,988	-
Inventories	-	1,229,723
Restricted		
Road improvements	-	10,072,227
Debt service	-	-
Hotel occupancy revenue	906,240	-
Legislation	-	-
Federal and state grants	-	-
Committed		
Capital projects	-	-
Employee motivation	-	-
Donations	-	-
Assigned		
Compensated absences	2,605,498	-
Capital projects	15,000,000	-
Unassigned	62,091,343	-
Total fund balances	80,782,069	11,301,950
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 101,883,694	\$ 12,347,125

The Notes to the Financial Statements are an integral part of this statement.

Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 24,559	\$ -	\$ 846,213	\$ 2,257,118
-	-	-	21,664,948
1,300	6,025,373	4,254,320	78,553,349
33,934	-	-	996,890
-	-	145,556	5,595,644
1,596	5,019,135	1,420,255	13,283,686
-	-	1,282,982	9,525,696
-	-	-	1,229,723
-	-	1,998	180,986
<u>\$ 61,389</u>	<u>\$ 11,044,508</u>	<u>\$ 7,951,324</u>	<u>\$ 133,288,040</u>
\$ -	\$ 146,435	\$ 271,357	\$ 3,168,017
-	76,291	36,542	1,039,114
-	-	1,060,836	12,605,900
-	-	-	552,845
-	-	-	132,738
-	-	-	13,515
-	222,726	1,368,735	17,512,129
32,068	-	-	890,751
-	-	-	5,367,449
<u>32,068</u>	<u>-</u>	<u>-</u>	<u>6,258,200</u>
-	-	1,998	180,986
-	-	-	1,229,723
-	-	-	10,072,227
29,321	-	-	29,321
-	-	-	906,240
-	-	5,893,374	5,893,374
-	-	222,964	222,964
-	10,821,782	-	10,821,782
-	-	16,801	16,801
-	-	447,452	447,452
-	-	-	2,605,498
-	-	-	15,000,000
-	-	-	62,091,343
<u>29,321</u>	<u>10,821,782</u>	<u>6,582,589</u>	<u>109,517,711</u>
<u>\$ 61,389</u>	<u>\$ 11,044,508</u>	<u>\$ 7,951,324</u>	<u>\$ 133,288,040</u>

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Midland County, Texas

Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of
Net Position
September 30, 2017

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (PAGE 21) \$ 109,517,711

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. 145,884,893

Certain assets, such as fines and fees receivable, are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. 6,258,200

Internal service funds are used by management to account for the self-insurance fund of the government. The assets and liabilities of the internal service fund are included in governmental activities in the net position. 8,478,071

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. (20,360,236)

Interest is accrued on bonds payable in the government-wide financial statements whereas in the fund financial statements interest expenditures are reported when due. (73,723)

Deferred outflows of resources for pension and long term debt related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements. 12,739,328

Deferred inflows of resources for pension related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements. (1,432,179)

OPEB liability not reported in the fund financial statements. (31,816,529)

Net pension liability is not reported in the fund financial statements. (14,590,845)

NET POSITION OF GOVERNMENTAL ACTIVITIES (PAGE 17) \$ 214,604,691

Midland County, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended September 30, 2017

	General Fund	Road and Bridge Fund
	<hr/>	<hr/>
REVENUES		
Property tax, penalties and interest	\$ 32,433,007	\$ -
Sales tax	38,616,646	-
Hotel-motel tax	906,240	-
Fines and forfeitures	2,753,557	-
Licenses and permits	849,297	2,088,216
Intergovernmental charges	825,839	24,966
Charges for current services	6,472,862	-
Investment income	559,412	38,712
Other revenue	1,186,766	62,176
	<hr/>	<hr/>
Total revenues	84,603,626	2,214,070
EXPENDITURES		
Current:		
General administration	9,735,128	-
Judicial	15,786,658	-
Financial administration	3,159,447	-
Elections	485,097	-
Public safety and corrections	22,567,033	-
Health and welfare	719,239	-
Culture and recreation	3,969,951	-
Conservation and natural resources	136,680	-
Highways and roads	-	4,631,434
Capital outlay	1,651,383	2,520,197
Debt service	-	-
	<hr/>	<hr/>
Total expenditures	58,210,616	7,151,631
Excess (deficiency) of revenues over expenditures	26,393,010	(4,937,561)
OTHER FINANCING SOURCES (USES)		
Transfers in	158,000	5,900,000
Transfers out	(11,721,138)	-
	<hr/>	<hr/>
Total other financing (uses) sources	(11,563,138)	5,900,000
Net change in fund balances	14,829,872	962,439
Fund balances - beginning of year	65,952,197	10,339,511
	<hr/>	<hr/>
FUND BALANCES, end of year	\$ 80,782,069	\$ 11,301,950

The Notes to the Financial Statements are an integral part of this statement.

Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 595,484	\$ -	\$ -	\$ 33,028,491
-	-	-	38,616,646
-	-	-	906,240
-	-	136,708	2,890,265
-	-	-	2,937,513
-	-	3,485,432	4,336,237
-	-	1,548,582	8,021,444
1,141	52,572	36,762	688,599
-	1,500	377,047	1,627,489
596,625	54,072	5,584,531	93,052,924
-	-	38,431	9,773,559
-	-	708,308	16,494,966
-	-	5,902	3,165,349
-	-	82,365	567,462
-	-	1,417,624	23,984,657
-	-	461,401	1,180,640
-	-	35,591	4,005,542
-	-	-	136,680
-	-	-	4,631,434
-	1,948,947	2,845,953	8,966,480
1,654,706	-	-	1,654,706
1,654,706	1,948,947	5,595,575	74,561,475
(1,058,081)	(1,894,875)	(11,044)	18,491,449
-	5,019,136	805,138	11,882,274
-	(177,136)	-	(11,898,274)
-	4,842,000	805,138	(16,000)
(1,058,081)	2,947,125	794,094	18,475,449
1,087,402	7,874,657	5,788,495	91,042,262
\$ 29,321	\$ 10,821,782	\$ 6,582,589	\$ 109,517,711

Midland County, Texas

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended September 30, 2017

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS (PAGE 25) \$ 18,475,449

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

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is
the amount by which capital outlays exceeded depreciation in the
current period. (7,260)

The net effect of various miscellaneous transactions involving capital assets
(i.e., sales, trade-ins, disposals, and adjustments) is to decrease net position. (513,364)

Revenues in the statement of activities that do not provide current financial
resources are not reported as revenue in the governmental funds. (1,288,814)

Long-term debt (e.g. bonds, leases) provides current
financial resources to governmental funds, while the repayment of the
principal of long-term debt consumes the current financial resources of
governmental funds. Neither transaction, however, has any effect on net
position. Also, governmental funds report the effect of premiums, discounts,
and similar items when debt is first issued, whereas these amounts are
deferred and amortized in the statement of activities. This amount is the net
effect of these differences in the treatment of long-term debt and related
items. (1,061,662)

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds. (2,312,489)

Internal service funds are used by management to charge the costs of the
garage, warehouse and self-insurance funds to individual funds. The net
income of activities of internal service funds is reported with
governmental activities. 1,038,292

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (PAGE 19) \$ 14,330,152

Midland County, Texas
Statement of Net Position
Proprietary Funds
September 30, 2017

	Governmental Activities Internal Service Funds
	<hr/>
ASSETS	
Current assets:	
Cash and equivalents	\$ 169,822
Investments	9,063,295
Accounts receivable	69,261
Due from other funds	108,455
	<hr/>
Total current assets	9,410,833
Non current assets:	
Other assets	26,662
	<hr/>
Total non current assets	26,662
	<hr/>
Total assets	9,437,495
LIABILITIES	
Current liabilities:	
Accounts payable	959,424
	<hr/>
Total current liabilities	959,424
NET POSITION	
Unrestricted	8,478,071
	<hr/>
TOTAL NET POSITION	<u><u>\$ 8,478,071</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Midland County, Texas

Statement of Revenues, Expenses and Changes
in Fund Net Position – Proprietary Funds
For the Fiscal Year Ended September 30, 2017

	Governmental Activities Internal Service Funds
OPERATING REVENUES	
Charges for current services	\$ 9,860,332
Total operating revenues	9,860,332
OPERATING EXPENSES	
Fleet maintenance	617,198
Claims expense	5,869,015
Administration costs	1,004,993
Premium costs	1,349,015
Professional services	77,256
Total operating expenses	8,917,477
Operating income	942,855
NONOPERATING REVENUES	
Investment income	75,960
Miscellaneous income	3,475
Total nonoperating revenues	79,435
Income before transfers	1,022,290
Transfers in	16,000
Change in net position	1,038,290
Net position - beginning of year	7,439,781
NET POSITION - END OF YEAR	\$ 8,478,071

The Notes to the Financial Statements are an integral part of this statement.

Midland County, Texas
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended September 30, 2017

	Governmental Activities Internal Service Funds
	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from charges for services	\$ 9,841,595
Cash paid for services	(8,859,953)
	<hr/>
Net cash provided by in operating activities	981,642
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	16,000
	<hr/>
Net cash provided by noncapital financing activities	16,000
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(908,385)
Investment income received	75,960
Miscellaneous income received	3,475
	<hr/>
Net cash used in investing activities	(828,950)
	<hr/>
Net change in cash	168,692
Cash and cash equivalents, beginning of year	1,130
	<hr/>
CASH AND CASH EQUIVALENTS, end of year	\$ 169,822
	<hr/> <hr/>
RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES	
Operating income	\$ 942,855
Adjustments to reconcile operating income to net cash provided by operating activities	
Accounts receivable	(18,737)
Due from other funds	111,502
Accounts payable	(53,978)
	<hr/>
Total adjustments	38,787
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 981,642
	<hr/> <hr/>

The Notes to the Financial Statements are an integral part of this statement.

Midland County, Texas

Statement of Fiduciary Assets and Liabilities

Agency Funds

September 30, 2017

	Agency Funds
ASSETS	
Cash and equivalent	\$ 6,405,403
Investments held in trust	7,349,949
Other receivables	589,417
Due from other funds	342,973
	<hr/>
TOTAL ASSETS	\$ 14,687,742
	<hr/> <hr/>
LIABILITIES	
Accounts payable	\$ 9,948
Due to other funds	1,129,214
Due to other governmental agencies	1,977,326
Other liabilities	881,708
Funds held for others	10,689,546
	<hr/>
TOTAL LIABILITIES	\$ 14,687,742
	<hr/> <hr/>

The Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

Midland County, Texas
Annual Financial Report
For the Fiscal Year Ended September 30, 2017
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Midland County, Texas

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

Midland County, Texas (the County) is a body, corporate and political, created under Article IX, Section 1, of the Constitution of the State of Texas. The County operates under the state of Texas statutes, and provides such services as are authorized by state law to advance the welfare, health, morals, comfort, safety and convenience of the County and its inhabitants. The Commissioners' Court, consisting of four County Commissioners and the County Judge, as elected, is the policy making body of the County.

The financial statements of the County are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Reporting Entity

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

In addition, Governmental Accounting Standards Board Statement No. 39, states that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units.

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

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

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

Midland County, Texas

Notes to the Financial Statements

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

- Blended Component Units: There are no blended component units.
- Discrete Component Units: The Midland County Housing Finance Corporation (the Finance Corporation) is a nonprofit corporation created pursuant to the Development Corporation Act of 1979, as amended, to issue bonds and offer below market rates to qualifying individuals. A majority of the Finance Corporation's board is appointed by the County's Commissioners Court, and the Court can impose will. The Finance Corporation has no material assets of financial activity other than conduit debt thus are not included in the County's basic financial statements. The financial information for the discretely presented component unit's conduit debt is included in Note 8 to the financial statements.

B. Government-Wide and Fund Financial Statements

The basic financial statements of the County are presented at two basic levels, the government-wide level and the fund level. These statements focus on the County as a whole at the government-wide level and on major funds at the fund level. The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities for the financial reporting entity of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

The government-wide statement of activities identifies the relative financial burden of each of the County's functions (General Administration, Judicial, Financial Administration, Elections, Public Safety and Corrections, Health and Welfare, Cultural and Recreation, Conservation and Natural Resources, and Highways and Roads). Direct expenses are clearly identifiable expenses that can be specifically associated with a function or segment. Program revenues are revenues derived directly from the function or segment or from other sources which reduce the net cost of the function to be financed from general government revenues.

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

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

Midland County, Texas

Notes to the Financial Statements

Fund level financial statements are presented for governmental funds and proprietary funds with a focus on major funds, and fiduciary funds, which are excluded from the government-wide financial statements because they do not represent assets which can be used to support the County's programs.

A major fund is defined by GASB as a fund meeting certain specific asset, liability, revenue, or expenditure/expense criteria relative to all funds of that type and relative to the total for all governmental and enterprise funds combined. Additionally, any fund deemed particularly important by the County may be reported as a major fund. The financial information for each major fund is presented in a separate column, with nonmajor funds aggregated and displayed in a single column, on either the governmental or proprietary fund financial statements. The fund level statements for proprietary funds also contain combined totals for all internal service funds.

Governmental Funds

The following major funds are used by the County:

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

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

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

Capital Projects Fund. The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type activities).

Non major funds used by the County include:

Special Revenue Funds. The Special Revenue Funds account for revenues derived from earmarked revenue sources that are legally restricted to expenditures for a specific purpose.

Other Fund Types

Internal Service Funds account for the fleet management services and insurance provided to other departments or agencies of the County or to other governments, on a cost reimbursement basis. Internal service funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an internal service fund's principal ongoing operations. Operating expenses for the internal service funds include the cost of personnel and contractual services and supplies. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense.

Agency Funds are used to report assets which cannot be used to support County activities and are held in an agency capacity by the County for the benefit of others.

C. Measurement Focus and Basis of Accounting

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

Midland County, Texas

Notes to the Financial Statements

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

Governmental fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In the case of property taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Property taxes received after the 60 day period are not considered available and, therefore, recorded as a deferred inflow of resources in the Governmental Funds Balance Sheet totaling \$858,683 in the General Fund and \$32,068 in the Debt Service Fund. Similarly, a portion of fines and fees are not expected to be are not considered measurable and available and have been recorded as a deferred inflow in the amount of \$5,367,449. Grant revenues are considered to be available if they are to be received within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt, compensated absences, and claims and judgments are recorded only when payment is due. Property taxes, fines, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

- General Fund – ad valorem taxes, interest and federal and state grant proceeds, except where such grants are expenditure driven and other requirements related to the grant have not been met
- Special Revenue Funds – federal and state grant proceeds and interest, except where such grants are expenditure driven and other requirements related to the grant have not been met
- Debt Service Fund – ad valorem taxes and interest
- Capital Projects Fund – interest

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

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

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

Midland County, Texas
Notes to the Financial Statements

D. Cash and Investments

The County pools cash resources of some funds to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has a claim thereon, and interest earned on the investment of these monies is allocated based upon relative equity at month end. The County considers highly liquid debt instruments which have an original maturity of less than three months to be cash equivalents.

The County's investments approximate fair value, except for external pools. Fair value is based on quoted market prices as of the valuation date. Management's intent is to hold all investments to maturity and thereby recover the full value of the various investments made. The gain/loss resulting from valuation will be reported within the "Investment Income" account on the Statement of Revenues, Expenditures and Changes in Fund Balance.

E. Receivables, Payables and Interfund Transactions

Short-term loans between funds are reported as interfund receivables in the fund making the loan and as interfund payables in the fund receiving the loan. Arms-length transactions between funds for goods and services are reported as revenues in the selling fund and as expenses/expenditures in the acquiring fund. Any unpaid amounts are appropriately recorded as interfund receivables/payables. Amounts from one fund to another with no requirement for repayment or without an equivalent flow of assets in return are accounted for as transfers.

F. Inventories

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

G. Capital Assets

Capital Assets are defined as a purchase, construction or other acquisition of any equipment, facilities or other similar assets, the cost, of which, is in excess of \$5,000 and has a useful life of more than one year. These assets include property, plant, equipment, infrastructure, and all other tangible and intangible assets purchased or acquired. Purchased or constructed assets are carried at historical cost or estimated historical cost. Infrastructure assets, which include streets and associated drainage, sidewalks, bridges, drainage systems, water and sewer systems, lighting systems and other similar type assets, have been recorded at historical or estimated historical cost. Donated assets are recorded at estimated fair market value at the time of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital has not been significant and, therefore, not capitalized.

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

Buildings	20 - 30 Years	Machinery and equipment	3 - 20 Years
Improvements	20 - 30 Years	Infrastructure	20 Years

Midland County, Texas
Notes to the Financial Statements

H. Federal and State Grants and Entitlements

Grants, entitlements and shared revenues may be accounted for within any of the fund types. The purpose and requirements of each grant or entitlement are carefully analyzed to determine the proper fund type in which to record the related transactions. Grants or entitlements received for purposes normally financed through a particular fund type may be accounted for in that type provided that applicable legal restrictions can be appropriately satisfied. Such revenues are accounted for within the Special Revenue Funds.

Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary type funds are accounted for in the applicable Capital Projects Fund.

I. Accrued Employee Benefits Payable

All regular full-time employees are eligible to accrue paid vacation leave by a prescribed formula based on the number of years of service. The maximum amount of vacation leave which may be carried forward by an employee from one year to the next is equal to the amount of leave accrued in the prior twelve month period. Upon leaving employment of the County, the employee is eligible to be paid for accrued unused vacation leave.

Eligible employees also accrue sick leave at an average rate of eight hours per month. Sick leave accumulates up to a maximum of 120 days and upon termination may be eligible for payment based upon a formula that is based on the number of years of service.

All employees of the County who are entitled to accrue sick leave and have completed twelve months of continuous service with the County are eligible to use and to be compensated for personal leave from a sick leave pool for catastrophic illnesses or injuries by the employee or a member of the employees' immediate family. Employees may use pool leave after exhausting all personal sick, vacation, and compensatory leave. An employee may receive up to 90 days or one-third of the balance of the hours in the sick leave pool, whichever is less. The sick leave pool consists of hours of sick leave contributed by County employees. Employees are not required to contribute sick leave to the pool and are not required to reimburse the pool for pool leave used.

Compensatory time is also accrued for eligible employees up to a maximum of 240 hours, and 480 hours for public safety employees. The employee is eligible to be paid for accrued compensatory time upon termination of employment.

J. Long-Term Obligations

General Obligation Bonds which have been issued to fund purchases and capital projects of the general government that are to be repaid from tax revenues of the County are reported in the government-wide statement of net position.

The government-wide level statements defer bond premiums and discounts and amortize these items over the life of the issue using the effective interest rate method. In the fund level statements, governmental fund types recognize these items in the current period. Bond issue costs are recognized as an expenditure/expense in both the fund level and government-wide level statements.

Midland County, Texas

Notes to the Financial Statements

K. Fund Balance

The County classifies governmental fund balances as nonspendable and spendable. Classifications under the spendable category are restricted, committed, assigned, and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The County classifies governmental fund balances as follows:

1. **Nonspendable Fund Balance**

Includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. Examples include inventories and prepaid items.

2. **Spendable Fund Balance**

a. *Restricted Fund Balance*

Includes amounts that can be spent only for the specific purposes as imposed by law, or imposed by creditors, grantors, contributors, or other governments' laws and regulations. Examples include federal and state grant programs, retirement of long-term debt, and construction.

b. *Committed Fund Balance*

Includes amounts that can be used only for the specific purposes as determined by the governing body by formal action recorded in the minutes of the governing body. Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The Commissioners' Court must take action to commit funds for a specific purpose prior to the end of the fiscal year, but the amount of the commitment may be determined after the end of the fiscal year.

c. *Assigned Fund Balance*

Includes amounts intended to be used by the County for specific purposes. The County's intent can be expressed by an official or body to which the governing body delegates that authority. The County has delegated to the County Auditor the ability to determine and define the amounts of those components of fund balance that are classified as assigned.

d. *Unassigned Fund Balance*

Includes the residual classification of the General Fund and includes all amounts not contained in other classifications. By accounting for amounts in other funds, the County has implicitly assigned the funds for the purposes of those particular funds.

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

L. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Midland County, Texas

Notes to the Financial Statements

M. Revenue Recognition – Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time unless the half payment option is elected, in which case one-half of the assessed tax is due November 30th and the balance is due on the following June 30th. All unpaid taxes levied October 1 become delinquent February 1 of the following year.

For fund financial statements, property tax revenues are recognized when they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. This is no longer than sixty days after year-end.

An allowance equal to 4% of the outstanding taxes at September 30, 2017 has been reported on the County's property taxes. The tax is levied based on the estimated market values as determined by the Midland County Appraisal District.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most sensitive estimates affecting the County's financial statements is management's estimates over allowance for doubtful collections of receivables, liability for health care claims, and useful lives of capital assets for depreciation expense. Management also made estimates using actuarial assumptions underlying the calculations for net pension liability and other post-employment benefits obligations.

O. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, the County specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS) and additions to/deductions from the County's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the County's Total Pension Liability is obtained from TCDRS through a report prepared for the District by TCDRS consulting actuary, Milliman, in compliance with GASB 68.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position.

The governmental fund balance sheet includes as reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statement of net position.

One element of that reconciliation is recording of capital assets in the amount of \$145,884,893 used in governmental activities that are recorded in the fund level financial statements.

Midland County, Texas

Notes to the Financial Statements

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$20,360,236 difference are as follows:

Bonds and capital leases payable	\$ 16,622,900
Bond premium liability	1,131,838
Compensated absences	<u>2,605,498</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities.	<u>\$ 20,360,236</u>

Another element of that reconciliation states that “other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred funds.” The details of this \$6,258,200 difference are as follows:

Deferred property taxes receivable	890,751
Deferred court fines receivable	<u>5,367,449</u>
Net adjustment to decrease fund balance - total governmental funds to arrive at net position - governmental activities.	<u>\$ 6,258,200</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation *between net changes in fund balances – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$7,262 difference are as follows:

Capital additions	\$ 8,966,480
Depreciation expense	<u>(8,959,218)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u>\$ 7,262</u>

Another element of that reconciliation states that, “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, disposals, and adjustments) is to decrease net position.” The total amount of \$513,364 is related to loss on disposition of assets of \$196,698, an amount related to adjustments to correct machinery and equipment of \$179,710, and other miscellaneous capital asset adjustments of \$136,956.

Midland County, Texas

Notes to the Financial Statements

Another element of that reconciliation states that the, issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this \$(1,061,662) difference are as follows:

Issuance of capital lease	\$	6,700
Principal repayments		(1,050,425)
Amortization of bond premium		110,242
Amortization relating to refunding of debt		(113,854)
Change in accrued interest		(14,325)
		<hr/>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	\$	(1,061,662)
		<hr/> <hr/>

Another element of that reconciliation states that "some expenses reported in the statement of activities did not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$(2,312,489) difference are as follows:

Change in pension liability	\$	1,063,043
Change in deferred outflows from pension liability		2,092,826
Change in deferred inflows from pension liability		358,334
Change in OPEB liability		(5,913,874)
Net change in compensated absences		87,182
		<hr/>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	\$	(2,312,489)
		<hr/> <hr/>

Another element of that reconciliation states that "revenues in the statement of activities that did not provide current financial resources and therefore are not reported as revenues in governmental funds." The details of this \$(1,288,814) difference are as follows:

Net change in property tax deferred revenue		(170,272)
Net change in fines and fees deferred revenue		(1,118,542)
		<hr/>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	\$	(1,288,814)
		<hr/> <hr/>

Note 3. Cash and Investments

A. Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The County's deposits were fully insured or collateralized as required by the state statutes at September 30, 2017. At year-end, the total carrying amount of the County's deposits was \$8,832,343 in cash and cash equivalents which includes cash and equivalents within the County's fiduciary funds. The total carrying amount of the County's certificate of deposits with Prosperity and First Capital Bank was \$29,014,897 which includes the County's investments that is held within trust in the County's fiduciary funds. Total bank balance and certificate of deposits from Prosperity Bank was \$20,306,727. The Federal Depository Insurance Corporation (FDIC) covered \$250,000 and \$41,290,277 was covered by collateral held by the pledging Prosperity Bank's agent for the County in the County's name. Total certificate of deposits from First Capital Bank was \$19,466,669. The Federal Depository Insurance Corporation (FDIC) covered \$17,750,000 and \$4,383,158 was covered by collateral held by the pledging First Capital Bank's agent for the County in the County's name.

B. Investments

State statutes and county policies authorize the County's investments. The County is authorized to invest in U.S. Government obligations and its agencies or instrumentalities, direct obligations of this state or its agencies and instrumentalities, collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States with ten years or less stated final maturity (cannot be an inverse floater, a principal only or interest only), obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent rating, no-load, SEC registered mutual funds with a weighted average stated maturity of less than two years that are invested in allowable securities, obligations or Texas and its agencies, fully collateralized repurchase agreements and reverse repurchase agreements, prime domestic commercial paper, prime domestic banker's acceptances, insured or collateralized certificates of deposit, government pools and no-load SEC registered money market funds consisting of any of these securities listed.

The table below identifies the investment types that are authorized by the County's investment policies.

Authorized Investments	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
U.S. Government Securities, Agencies, and Instrumentality's	3 years	100%	None
Certificate of Deposit	3 years	35%	None
Repurchase Agreement	3 years	15%	None
Local Government Investment Pools	3 years	100%	None
Money Market Mutual Funds	3 years	25%	None

Midland County, Texas

Notes to the Financial Statements

The County did hold investments that are not SEC-registered. The investments not SEC-registered are:

TEXPOOL. The State Comptroller of Public Accounts oversees TexPool (the Texas Local Government Investment Pool), but Leman Brothers and Federated Investors manage the daily operations of the pool under a contract with the Comptroller. TexPool operates in a manner consistent with the SEC's 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

TexStar. TexStar is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. TexStar is a local government investment pool created under the Interlocal Cooperation Act and is rated AAAM by Standard and Poor's. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas Public Fund Investment Act.

Charles Schwab. Charles Schwab Corporation is a provider of financial services which includes securities brokerage, banking, money management and financial advisory services to individual investors, independent investment advisors, and corporate and retirement plan sponsors and participants. Charles Schwab maintains a high-quality investment portfolio with no subprime securities or collateralized debt obligations. Charles Schwab maintains A ratings from Standard & Poor's and Fitch, and A2 rating from Moody's. Charles Schwab is traded publicly on the New York Stock Exchange.

Texas CLASS. Texas CLASS is a local government investment pool emphasizing safety, liquidity, convenience and competitive yield. Since 1996, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. Texas CLASS invests only in securities allowed by the Texas Public Funds Investment Act. The pool is governed by a board of trustees, elected annually by its participants. Texas CLASS is rated 'AAAM' by Standard and Poor's Ratings Services. The 'AAAM' principal stability fund rating is the highest assigned to principal stability government investment pools and is a direct reflection of Texas CLASS's outstanding credit quality and management.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

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

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

Texas Class, TexPool, and TexStar are measured at amortized cost and are exempt for fair value reporting.

U.S. Government Agency Securities in Level 2 of fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices.

Midland County, Texas

Notes to the Financial Statements

U.S. Treasury Bonds and Certificate of Deposits classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

The County has recurring fair value measurements as presented in the table below. The County's investment balances and weighted average maturity of such investments (excluding the investments held in trust) are as follows:

Fair Value Measurements						
	Fair Value	Level 1 Inputs	Level 2 Inputs	Percent of Total Investment	Weighted Average Maturity (Days)	Credit Risk and Rating Agency
Investments measured at amortized cost investment pools						
TexPool	\$ 1,592,003	n/a	n/a	1%	1	AAAm - S&P
TexStar	17,690,501	n/a	n/a	16%	14	AAAm - S&P
Texas CLASS	23,413,045	n/a	n/a	21%	22	AAAm - S&P
TexPool-Prime	11,989,687	n/a	n/a	11%	5	AAAm - S&P
Investment by fair value level						
U.S. Treasury Notes	12,507,126	12,507,126	-	11%	95	AA+/Aaa - S&P
U.S. Agency Bond	20,424,282	-	20,424,282	19%	139	AA+/Aaa - S&P
Certificate of Deposits	21,664,948	21,664,948	-	20%	51	AA+/Aaa - S&P
Total	<u>\$ 109,281,592</u>	<u>\$ 34,172,074</u>	<u>\$ 20,424,282</u>	<u>100%</u>		
Portfolio Weighted Average if Maturity					<u>327</u>	

Weighted average maturity of the portfolio by investment type reflected in the table is stated in days. For investment pools, the recent weighted average maturity is presented based on the statewide investment pool. Interest bearing bank deposits is not included in the portfolio's weighted average maturity presented.

C. Interest Rate Risk

In compliance with the County's investment policy, as of September 30, 2017, the County minimized the interest rate risk, related to the decline in market value of securities due to rising interest rates in the portfolio by: 1) limiting the effective duration of security types not to exceed three years with the exception of securities purchases related to reserve funds, 2) structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity, 3) monitoring credit rating of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act, and 4) investing operating funds primarily in shorter-term securities and government investment pools.

The following table details the maturity schedule of the County's investments as of September 30, 2017.

Maturity Schedule	Par Value	Fair Value	% of Portfolio
Less than 1 Month	\$ -	\$ -	0%
1 to 6 Months	79,701,732	79,768,831	73%
6 to 9 Months	7,562,449	7,585,589	7%
9 to 12 Months	1,775,000	1,777,567	2%
12 to 18 Months	6,500,000	6,518,030	6%
More than 18 Months	13,546,000	13,631,574	12%
Total	<u>\$ 109,085,180</u>	<u>\$ 109,281,592</u>	<u>100%</u>

Midland County, Texas
Notes to the Financial Statements

D. Credit Risk

In compliance with the County's investment policy, as of September 30, 2017, the County minimized credit risk losses due to default of a security issuer or backer, by: 1) limiting investments to the safest types of securities by purchasing investments in US Treasury Notes and Bills that were rated AAA and Aaa by Standard & Poor's, Fitch and Moody's, respectively, 2) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business, and 3) diversifying the investment portfolio so that potential losses on individual securities were minimized.

Note 4. Receivables

Receivables as of September 30, 2017 for the County's individual major funds, non-major funds in the aggregate and internal service funds, including applicable allowances for uncollectible amounts, are as follows:

	General	Road and Bridge	Debt Service	Non Major Funds	Internal Service Funds	Total
Receivables:						
Property taxes	\$ 1,003,079	\$ -	\$ 35,348	\$ -	\$ -	\$ 1,038,427
Accounts receivable	40,774,025	1,817	-	145,556	69,261	40,990,659
Gross receivables	41,777,104	1,817	35,348	145,556	69,261	42,029,086
Less: allowance for uncollectibles	(35,365,877)	-	(1,414)	-	-	(35,367,291)
Net total receivables	\$ 6,411,227	\$ 1,817	\$ 33,934	\$ 145,556	\$ 69,261	\$ 6,661,795

Note 5. Capital Assets

Capital asset acquisition and disposal of the reporting entity was restricted to activities of the primary government only. Capital asset activity for the year ended September 30, 2017 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,734,366	\$ -	\$ -	\$ 2,734,366
Construction in progress	803,565	6,455,098	(1,747,874)	5,510,789
Total capital assets, not being depreciated	3,537,931	6,455,098	(1,747,874)	8,245,155
Capital assets, being depreciated:				
Buildings and improvements	125,888,643	82,976	-	125,971,619
Infrastructure	60,913,923	1,368,620	-	62,282,543
Machinery and equipment	28,015,054	2,807,660	(410,960)	30,411,754
Total capital assets being depreciated	214,817,620	4,259,256	(410,960)	218,665,916
Less accumulated depreciation for:				
Buildings and improvements	(29,294,463)	(4,037,763)	-	(33,332,226)
Infrastructure	(26,513,874)	(2,034,321)	-	(28,548,195)
Machinery and equipment	(16,360,033)	(2,887,134)	101,410	(19,145,757)
Total accumulated depreciation	(72,168,370)	(8,959,218)	101,410	(81,026,178)
Total capital assets, being depreciated, net	142,649,250	(4,699,962)	(309,550)	137,639,738
Governmental activities capital assets, net	\$ 146,187,181	\$ 1,755,136	\$ (2,057,424)	\$ 145,884,893

Midland County, Texas
Notes to the Financial Statements

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

Governmental Activities:	
General administration	\$ 1,834,182
Judicial	390,827
Financial administration	30,184
Public safety and corrections	2,095,279
Health and welfare	21,425
Cultural and recreation	2,254,014
Highways and roads	2,321,575
Conservation and natural resources	11,732
Total depreciation expense - governmental activities	\$ 8,959,218

Note 6. Employee Retirement Benefits

A. Plan Description

The County provides retirement, disability, and death benefits for all of its fulltime employees through a nontraditional defined benefit pension plan (the 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. 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.

The plan provisions are adopted by the governing body of the employer (the County), 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 deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

B. Benefits Provided

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer financed monetary credits to a monthly annuity using the UP-1984 Table with an age setback of five years or ten years for retirees or beneficiaries, respectively, at an interest rate of 7.00%.

Midland County, Texas
Notes to the Financial Statements

Employees covered by benefits as of December 31, 2016:

Retirees or beneficiaries currently receiving benefits	333
Inactive employees entitle to but not yet receiving benefits	629
Active employees	629
Total	1591

C. Contributions

The County has elected the annually determined contribution rate (variable-rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the minimum contribution rate of the County is actuarially determined annually, however the County may elect to contribute at a rate higher than the actuarially determined rate, or make additional lump sum contributions on an ad hoc basis to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. The County's actuarially determined rates were 9.93% for the months of the accounting year in 2016, and 9.73% for the months of the accounting year in 2017. The County contributed at a rate of 13.00% for all months included in the fiscal year ended September 30, 2017.

The deposit rate payable by the employee members for calendar year 2016 and 2017 is 7.00%, 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 employer within the options available in the TCDRS Act.

D. 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 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:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 Years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.00%
Salary Increase	1.40%
Investment Rate of Return	8.00%
Payroll Growth	3.50%

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

Midland County, Texas

Notes to the Financial Statements

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the years 2009-2012.

Long-Term Rate of Return

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	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%
Total	100.0%	

Midland County, Texas
Notes to the Financial Statements

Discount Rate

The discount rate used to measure the total pension liability was 8.10%, which is consistent with the prior year discount rate. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The best estimates of geometric real rates of return for each major asset class included in the TCDRS' target asset allocation as of January 2017 are summarized below:

Changes in the Net Pension Liability

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2015	\$ 134,698,734	\$ 119,044,847	\$ 15,653,887
Changes for the year:			
Service cost	4,109,757	-	4,109,757
Interest on total pension liability (1)	10,803,048	-	10,803,048
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(1,016,375)	-	(1,016,375)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(627,382)	(627,382)	-
Benefit payments	(6,190,681)	(6,190,681)	-
Administrative expenses	-	(95,823)	95,823
Member contributions	-	2,223,064	(2,223,064)
Net investment income	-	8,804,586	(8,804,586)
Employer contributions	-	4,128,546	(4,128,546)
Other (3)	-	(100,901)	100,901
Balances as of December 31, 2016	<u>\$ 141,777,101</u>	<u>\$ 127,186,256</u>	<u>\$ 14,590,845</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.

Discount Rate Sensitivity Analysis

The following presents the net pension liability of the County as of December 31, 2016, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.10%) or 1% higher (9.10%) than the current rate.

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
	<u> </u>	<u> </u>	<u> </u>
Total pension liability	\$ 159,777,471	\$ 141,777,101	\$ 126,820,947
Fiduciary net pension	127,186,256	127,186,256	127,186,256
Net pension liability / (asset)	<u>\$ 32,591,215</u>	<u>\$ 14,590,845</u>	<u>\$ (365,309)</u>

Midland County, Texas

Notes to the Financial Statements

E. Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the County recognized pension expense of \$5,514,747 related to the December 31, 2016 valuation. At September 30, 2017, the County reported deferred inflows and outflows of resources related to the Plan from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 1,432,179	\$ -
Changes of assumptions	-	717,152
Net difference between projected and actual investment earnings	-	7,483,680
Contributions subsequent to the measurement date	-	3,172,243
	<u> </u>	<u> </u>
Total	<u>\$ 1,432,179</u>	<u>\$ 11,373,075</u>

Deferred outflows of resources related to the Plan resulting from contributions subsequent to the measurement date of \$3,172,243 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2017 (i.e. recognized in the County's financial statements September 30, 2017). Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	Pension Expense Amount
	<u> </u>
2017	\$ 2,244,580
2018	2,382,573
2019	1,979,156
2020	162,342
	<u> </u>
Total	<u>\$ 6,768,651</u>

Note 7. Other Post-Employment Benefits

A. Plan Description

In addition to providing pension benefits (described in Note 6), the County provides certain post-employment health care benefits (OPEB). County employees qualify for OPEB if they are considered retired or disabled. Retired employees who have 30 years of service, are at least age 60 with 8 years of service, or their age and service years sum to 75. Disabled employees have at least 8 years' service and incurred a work related injury or are disabled with 30 years of service. Employees who qualify may elect OPEB for their spouses and dependents under age 26. Spouses and dependents may elect to continue under the County's plan if retiree dies. The County assumes \$619 of the monthly premium and the individuals under the plan assume the remaining premium.

Midland County, Texas
Notes to the Financial Statements

B. Funding Policy

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

During the year, the County contributed approximately \$1,286,690 to the health care fund for post-retirement health care as well as \$46,159 for a medical supplement; County contributions for both totaled \$1,332,849.

The rates are set annually by the Commissioners' Court based on the combination of premiums and prior year costs of self-funded portion of the plan. The plan is funded on a pay-as-you-go basis. Administrative costs are provided through the annual rate calculation.

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, creating accounting standards for other postemployment benefits (OPEB) provided by governmental entities separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable required supplemental information (RSI) in the financial reports of state and local governments. Beginning in 2010, the County engaged actuaries to value the County's OPEB obligation. The actuarial valuation is performed semi-annually unless factors arise, such as changes in plan provisions, which would necessitate a re-valuation in the subsequent year. The current year valuation, as of October 1, 2015, includes the October 1, 2015 and October 1, 2016 liabilities and the October 1, 2015 to September 30, 2016 and October 1, 2016 to September 30, 2017 annual costs for the County's Other Postemployment Benefits (OPEB) as prescribed under GASB Statement No. 45.

C. Annual OPEB Cost and Net OPEB Obligation

The County's 2017 annual OPEB cost (expense) of \$7,300,749 for the postemployment healthcare plan was equal to the annual required contributions (ARC). The County's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation (NOO) for 2017 are as follows:

Annual required contribution	\$ 7,337,398
Interest on OPEB obligation	1,033,945
Adjustment to ARC	<u>(1,070,594)</u>
Annual OPEB cost (expense), end of year	7,300,749
Net employer contributions	<u>(1,386,875)</u>
Increase in net OPEB obligation (NOO)	5,913,874
Net OPEB obligation, beginning of the year	<u>25,903,732</u>
Net OPEB obligation, end of the year	<u>\$ 31,817,606</u>

Trend information for the past three years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2015	\$ 5,338,739	\$ 1,150,625	21.6%	\$ 21,599,373
9/30/2016	\$ 5,565,174	\$ 1,260,815	22.7%	\$ 25,903,732
9/30/2017	\$ 7,300,749	\$ 1,386,875	19.0%	\$ 31,817,606

Midland County, Texas
Notes to the Financial Statements

D. Funded Status and Funding Progress

The funded status of the plan as of September 30, 2017 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Liability	Funded Ratio	Annual Covered Payroll	Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll
10/1/2014	-	\$ 55,315,159	\$ 55,315,159	0.00%	N/A	N/A
10/1/2015	-	\$ 59,336,292	\$ 59,336,292	0.00%	N/A	N/A
10/1/2016	-	\$ 72,571,642	\$ 72,571,642	0.00%	N/A	N/A

Under reporting parameters, the County's OPEB plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$ 72,571,642 at September 30, 2017.

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

E. Actuarial Methods and Assumptions

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

Actuarial cost method:	Projected unit credit actuarial cost method
Amortization method:	Level percentage of payroll, closed
Amortization period in years:	30
Asset valuation method:	The fund is not prefunded
Actuarial assumptions:	
Discount rate:	Pay-as-you-go: 4.0% effective annual rate
Payroll growth rate:	3.5% per year
Healthcare trend rate:	7.66%

Midland County, Texas
Notes to the Financial Statements

Note 8. Discrete Component Unit

As discussed in Note 1A, the Midland Housing Finance Corporation (Finance Corporation) is a component unit of the County. At September 30, 2017, the bonds were either called in full or are considered conduit debt, therefore there is no liability to the Finance Corporation or the County.

Note 9. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary-type funds financial statements generally reflect such transactions as transfers. The internal service funds record charges for service to County departments as operating revenue.

All County funds record these payments to the internal service funds as operating expenses. The proprietary funds record operating subsidies as other income whereas the fund paying the subsidy records it as either an expenditure or transfer.

Individual fund interfund receivable and payable balances at September 30, 2017 arising from these transactions were as follows:

	Interfund	
	Receivable	Payable
General Fund	\$ 823,791	\$ 11,545,064
Road and Bridge Fund	6,018,909	-
Special Revenue Funds		
District Attorney Hot Check	-	1,071
Law Library Fund	30,972	-
County Clerk Records Management Fund	18,032	1
Records Preservation Fund	560	-
District Clerk Records Management Fund	50	-
Juvenile Probation Fee Account Fund	325	-
Courthouse Security Fund	1,301	-
County Clerk Record Archives	18,874	-
County Clerk Vital Stat Preservation Fund	67	-
Voter Registration Chapter 19 Fund	-	1,577
Dealer Inventory Fund	441	92
Justice Court Building Security Fund	179	-
Juvenile Case Management Fund	21,751	-
County Attorney State Supplement	-	42,936
Truancy Prevention Fund	33,826	-
Pretrial Intervention Program Fund	384,854	2
Election Contracts	74,909	887
Court Records Preservation	219,431	-
Scofflaw Implementation Fee	15,230	-
Child Abuse Prevention	8,694	-
Appellate Justice System Fund	320	-
Guardianship Fund	820	-
District Court Records Technology Fund	164,670	-
County and District Court Technology Fund	40	-
Justice Court Technology Fund	312,451	-

Midland County, Texas
Notes to the Financial Statements

	Interfund	
	Receivable	Payable
Donations Constable 4	130	-
L.E.O.S.E. Funds	682	-
District Attorney Drug Forfeiture	40,984	4
Office of Court Administration Fund	-	5,591
High Intensity Drug Trafficking Area	-	726
Other Victims' Assistance Fund	-	5,928
Crime Victim Services Fund	-	4,131
Donation Constable	10	-
Juvenile Probation Grants	-	41,417
Donation Library	70,652	-
C.E.T.R.Z	-	956,473
Debt Service Fund	1,596	-
Capital Projects Fund	5,019,135	-
Total governmental funds	13,283,686	12,605,900
Internal Service Fund	108,455	-
Total internal service fund	108,455	-
Agency Funds		
District Clerk	317	3,877
County Clerk	1,452	50,788
District Attorney	-	30
Sheriff	2,242	147,504
Justice of the Peace Precinct #1	-	9,757
Justice of the Peace Precinct #2	715	19,960
Justice of the Peace Precinct #3	-	18,468
Justice of the Peace Precinct #4	1,813	10,939
Juvenile Probation	-	325
Tax Collector Assessor	147,172	567,373
Unclaimed Property	-	5,279
CSCD - Basic Supervision	97,225	171,636
CSCD - Mental Health Initiative	3,312	2,697
CSCD - Substance Abuse Continuum	-	67,297
CSCD - Midland Outpatient Treatment Center	-	21,273
CSCD - Cognitive Behavior	14,556	4,680
Sex Offender Caseload	21,998	13,726
DWI Repeat Offender Caseload	52,171	13,605
Total agency funds	342,973	1,129,214
Total	\$ 13,735,114	\$ 13,735,114

Midland County, Texas
Notes to the Financial Statements

Interfund transfers for the fiscal year ended September 30, 2017 are as follows:

	Interfund	
	Transfers In	Transfers Out
General fund	\$ 158,000	\$ 11,721,138
Road and bridge fund	5,900,000	-
Nonmajor governmental funds:		
Mental health deputies	291,665	-
C.E.R.T.Z	513,473	-
Capital projects fund	5,019,136	177,136
Internal service fund	16,000	-
Total	\$ 11,898,274	\$ 11,898,274

Note 10. Long-Term Debt

A. Governmental Activities

The following is a summary of debt transactions for governmental activities of the County for the year ended September 30, 2017:

	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017	Due Within One Year
General Obligation Bonds-Series 2016	\$ 14,625,000	\$ -	\$ 70,000	\$ 14,555,000	\$ 75,000
General Obligation Bonds-Series 2009	3,040,000	-	975,000	2,065,000	1,010,000
Unamortized premium on General Obligation Bonds Series 2009	1,242,080	-	110,242	1,131,838	-
Capital lease obligation	1,625	6,700	5,425	2,900	2,900
Compensated absences	2,692,680	-	87,182	2,605,498	2,475,223
Totals	\$ 21,601,385	\$ 6,700	\$ 1,247,849	\$ 20,360,236	\$ 3,563,123

B. Bonds

Certificates of Obligation and General Obligation Bonds at September 30, 2017 consist of the following:

\$21,995,000 General Obligation Bonds, Series 2009, annual installments beginning 2011 through 2019, interest at 3.00% to 5.25%.	\$ 2,065,000
\$14,625,000 General Obligation Refunding Bonds, Series 2016, annual installments beginning 2016 through 2029, interest at 2.00% to 3.50%.	14,555,000
Total bonds outstanding	\$ 16,620,000

Midland County, Texas
Notes to the Financial Statements

Principal payments are due annually for Certificates of Obligation and Refunding Bonds on February 15 and interest payments are due semiannually on February 15 and August 15. The annual requirements to amortize all bonded debt outstanding as of September 30, 2017 is as follows:

General Obligation Bonds	Principal	Interest	Total
Year Ending September 30,			
2018	\$ 1,087,900	\$ 572,868	\$ 1,660,768
2019	1,130,000	525,625	1,655,625
2020	1,185,000	473,106	1,658,106
2021	1,235,000	424,106	1,659,106
2022	1,280,000	374,406	1,654,406
2023-2027	7,375,000	1,065,855	8,440,855
2028-2029	3,330,000	86,910	3,416,910
Total	\$ 16,622,900	\$ 3,522,876	\$ 20,145,776

The County issued the Series 2009 General Obligation Bonds for the purpose of constructing, improving, renovating and equipping existing County Jail facilities and the payment of costs of issuance related thereto.

There are a number of limitations and restrictions contained in the bond and note indentures. The County is in compliance with all significant limitations and restrictions.

Note 11. Deferred Compensation Plan

The County offers its officials and employees three deferred compensation plans established in accordance with Internal Revenue Code Section 457. Federal law requires all assets and income of Internal Revenue Code Section 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries.

Assets of the County's plan are administered by a private corporation under contract with the County. The private administrator amended the plan as of January 1, 1997, to comply with the new federal law. Consequently, the plan's assets and liabilities are not included in the County's financial statements.

Note 12. Health Care

For several years the County has maintained a Medical/Dental Self-Insurance Fund. The purpose of this fund is to pay medical and dental claims for the County officials, employees, retirees and their covered dependents and to minimize the cost of medical and dental insurance for the employees and the County. Medical claims exceeding \$175,000 per covered individual are covered through a private insurance carrier. The County accrues liabilities for claims which are foreseeable and probable.

Midland County, Texas

Notes to the Financial Statements

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The liability for claims and judgments is reported in each of the internal service funds as accounts payable.

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

Unpaid claims, September 30, 2016	\$ 765,775
Insured claims (including IBNRs)	6,417,285
Claim payments	<u>(6,343,131)</u>
Unpaid claims, September 2017	839,929
Insured claims (including IBNRs)	5,879,703
Claim payments	<u>(5,964,728)</u>
Unpaid claims, September 30, 2017	<u>\$ 754,904</u>

Unpaid claims are reported in accounts payables.

Note 13. Operating Leases

The County's future minimum rental commitments for various equipment, accounted for as operating leases at September 30, 2017 are as follows:

Operating Leases	
Year Ending September 30,	
2018	\$ 94,535
2019	61,627
2020	24,147
2021	4,792
2022 and thereafter	<u>1,071</u>
Total future minimum rental commitments	<u>\$ 186,172</u>

Rental expense related to leased equipment totaled approximately \$122,386 for the fiscal year ended September 30, 2017.

Midland County, Texas

Notes to the Financial Statements

Note 14. Contingencies

A. Federal / State Assisted Programs – Compliance Audits

The County participates in numerous state and federally assisted programs, on both a direct and state pass-through basis. In connection with these grants, the County is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by grantors and their representatives, including audits under the "single audit" concept and compliance examinations which build upon such audits.

In the opinion of management, the County has complied with all requirements. However, since such programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of such disallowance of claimed expenditures, the County expects the resulting liability not to have a material adverse effect to its financial position.

B. Litigation

The County is party to several legal actions arising in the ordinary course of its business. In the opinion of the County's management, upon advice of the County Attorney, and the County's outside legal counsel, the County has adequate legal defense and/or insurance coverage regarding most of these actions and does not believe that they will materially affect the County's financial position. The potential losses of these lawsuits that are determinable at this time have been accrued.

Note 15. New Pronouncements

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

In March 2016, GASB issued Statement No. 82: Pension Issues – an amendment of GASB Statements No. 67, No.68, and No. 73. This Statement addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

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

Midland County, Texas

Notes to the Financial Statements

Statement No. 87 Leases – The objectives of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease account based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 31, 2020.

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

Required Supplementary Information

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Midland County, Texas

Texas County District Retirement System Schedule of Changes in the Employer's Net Pension Liability and Related Ratios For the Employees of Midland County For the Fiscal Year Ended September 30, 2017

	2016	2015	2014*
TOTAL PENSION LIABILITY			
Service cost	\$ 4,109,757	\$ 3,778,801	\$ 3,534,733
Interest (on the total pension liability)	10,803,047	6,379,917	9,896,745
Effect on plan changes	-	(730,658)	-
Effect of economic/demographic (gains) or losses	(1,016,375)	(1,063,811)	(406,390)
Effect of assumptions changes or inputs	-	1,434,304	-
Benefit payments/refunds of contributions	(6,818,064)	(5,802,281)	(5,437,548)
Net change in total pension liability	7,078,365	3,996,272	7,587,540
Total pension liability - beginning	134,698,735	130,702,463	123,114,923
TOTAL PENSION LIABILITY - ENDING (a)	\$ 141,777,100	\$ 134,698,735	\$ 130,702,463
PLAN FIDUCIARY NET PENSION			
Contributions - Employer	\$ 4,128,546	\$ 4,010,993	\$ 3,752,055
Contributions - Employee	2,223,064	2,159,763	2,020,340
Investment income net of investment expenses	8,804,585	(588,745)	7,596,673
Benefit payments/refunds of contributions	(6,818,063)	(5,802,281)	(5,437,547)
Administrative expense	(95,823)	(85,841)	(89,152)
Other	(100,900)	(31,542)	(411,369)
Net change in plan fiduciary net position	8,141,409	(337,653)	7,431,000
Plan fiduciary net position - beginning	119,044,847	119,382,500	111,951,500
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 127,186,256	\$ 119,044,847	\$ 119,382,500
NET PENSION LIABILITY - ENDING (a) - (b)	\$ 14,590,844	\$ 15,653,888	\$ 11,319,963
Plan fiduciary net position as a percentage of total pension liability	89.71%	88.38%	91.34%
Covered employee payroll	\$ 31,758,063	\$ 30,853,764	\$ 28,861,998
Net pension liability as a percentage of covered employee payroll	45.94%	50.74%	39.22%

*Numbers changed from prior year due to amended actuarial report.

Notes to Schedule:

As of December 31 - Measurement date

Benefit changes. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions. There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Only three years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

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Midland County, Texas
Texas County District Retirement System
Schedule of Employer Contributions
For the Fiscal Year Ended September 30, 2017

	Year Ended December 31,			
	2013	2014	2015	2016
Actuarially determined contribution	\$ 2,880,840	\$ 3,232,544	\$ 3,236,560	\$ 3,153,576
Contributions in relation to the actuarially determined contribution	3,766,720	3,752,055	4,010,993	4,128,546
CONTRIBUTION EXCESS	<u>\$ (885,880)</u>	<u>\$ (519,511)</u>	<u>\$ (774,433)</u>	<u>\$ (974,970)</u>
Covered-employee payroll	\$ 26,333,090	\$ 28,681,998	\$ 30,853,764	\$ 31,758,063
Contributions as a percentage of covered employee payroll	14.30%	13.08%	13.00%	13.00%

Notes to Schedule:

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost method	Entry Age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.
Investment rate of return	8.00%
Retirement age	Experience-based table of rates that are specific to the County's plan of benefits.
Mortality	Based on the RP-2000 Active Employee Mortality Table for depositing members; RP-2000 Combined Mortality Table for the service retirees, beneficiaries and non-depositing members; and RP-2000 Disabled Mortality Table for disabled retirees.

Only four years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Midland County, Texas

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual For the Fiscal Year Ended September 30, 2017

	Original Budget
REVENUES	
Property tax, penalties and interest	\$ 28,800,000
Sales tax	28,000,000
Hotel-motel tax	750,000
Fines and forfeitures	2,955,000
Licenses and permits	650,000
Intergovernmental charges	635,928
Charges for current services	4,259,800
Investment income	75,000
Other revenue	689,400
	<hr/>
Total revenues	66,815,128
EXPENDITURES	
Current:	
General administration	12,883,757
Judicial	17,153,076
Financial administration	3,381,572
Elections	541,486
Public safety and corrections	23,677,954
Health and welfare	831,566
Culture and recreation	4,080,296
Conservation and natural resources	184,199
Capital outlay	2,618,042
	<hr/>
Total expenditures	65,351,948
	<hr/>
Excess of revenues (deficiency) over expenditures	1,463,180
OTHER FINANCING SOURCES (USES)	
Proceeds from sale of assets and capital lease	1,000
Transfers in	-
Transfers out	(11,500,000)
	<hr/>
Total other financing sources (uses)	(11,499,000)
	<hr/>
Net change in fund balance	(10,035,820)
Fund balance - beginning of year	65,952,197
	<hr/>
FUND BALANCE, END OF YEAR	\$ 55,916,377

Final Budget	Actual	Variance - Favorable (Unfavorable)
\$ 28,800,000	\$ 32,433,007	\$ 3,633,007
28,000,000	38,616,646	10,616,646
750,000	906,240	156,240
2,955,000	2,753,557	(201,443)
650,000	849,297	199,297
635,928	825,839	189,911
4,258,800	6,472,862	2,214,062
75,000	559,412	484,412
847,400	1,186,766	339,366
<hr/>	<hr/>	<hr/>
66,972,128	84,603,626	17,631,498
12,327,718	9,735,128	2,592,590
17,289,003	15,786,658	1,502,345
3,366,629	3,159,447	207,182
546,349	485,097	61,252
23,749,009	22,567,033	1,181,976
846,025	719,239	126,786
4,099,980	3,969,951	130,029
184,543	136,680	47,863
2,497,835	1,651,383	846,452
<hr/>	<hr/>	<hr/>
64,907,091	58,210,616	6,696,475
<hr/>	<hr/>	<hr/>
2,065,037	26,393,010	24,327,973
1,000	-	(1,000)
158,000	158,000	-
(11,768,327)	(11,721,138)	47,189
<hr/>	<hr/>	<hr/>
(11,609,327)	(11,563,138)	46,189
<hr/>	<hr/>	<hr/>
(9,544,290)	14,829,872	24,374,162
65,952,197	65,952,197	-
<hr/>	<hr/>	<hr/>
\$ 56,407,907	\$ 80,782,069	\$ 24,374,162

Midland County, Texas

Road and Bridge Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2017

	Original Budget
REVENUES	
Licenses	\$ 2,254,000
Intergovernmental charges	25,000
Investment income	5,000
Other revenues	20,000
Total revenues	2,304,000
EXPENDITURES	
Highways and roads	4,029,591
Road maintenance and materials	940,000
Capital outlay	4,795,110
Total expenditures	8,824,701
Excess of (deficiency) revenues over expenditures	(6,520,701)
OTHER FINANCING SOURCES	
Transfers in	-
Total other financing sources	-
Net change in fund balance	(6,520,701)
Fund balance - beginning of year	10,339,511
FUND BALANCE, END OF YEAR	\$ 3,818,810

Final Budget	Actual	Variance - Favorable (Unfavorable)
\$ 2,254,000	\$ 2,088,216	\$ (165,784)
25,000	24,966	(34)
5,000	38,712	33,712
20,000	62,176	42,176
2,304,000	2,214,070	(89,930)
4,620,827	4,460,273	(10,607)
770,064	1,149,188	(379,124)
4,295,723	2,520,197	1,775,526
8,916,550	7,151,631	1,764,919
(6,612,550)	(4,937,561)	1,674,989
-	5,900,000	5,900,000
-	5,900,000	5,900,000
(6,612,550)	962,439	7,574,989
10,339,511	10,339,511	-
<u>\$ 3,726,961</u>	<u>\$ 11,301,950</u>	<u>\$ 7,574,989</u>

Midland County, Texas

Notes to Required Supplementary Information
Schedules of Revenues, Expenditures and Changes
in Fund Balance – Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2017

A. Budgetary Information

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

1. Prior to the beginning of each fiscal year, the County Judge submits to the Commissioners' Court a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget for the next fiscal year is legally enacted by the Commissioners' Court through the passage of a court order.
4. The Commissioners' Court has the authority to transfer balances or portions thereof, from one expenditure account to another within a single office, department or agency of the County. During the year, several supplementary appropriations were necessary. These changes are reflected in the budget amounts presented.
5. The level at which expenditures may not legally exceed appropriations is the legally adopted annual operating budget for each fund in total.
6. Annual budgets are legally adopted for all governmental funds. These budgets are adopted on a generally accepted accounting principle (GAAP) basis.
7. At the close of each fiscal year, all appropriations lapse.

Supplementary Information

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Major Funds

Debt Service Fund and Capital Projects Fund
Schedules of Revenues, Expenditures and Changes
in Fund Balance Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2017

Nonmajor Governmental Funds

Special Revenue Funds

The Special Revenue Funds account for revenues derived from earmarked revenue sources that are legally restricted to expenditures for a specific purpose. The following are the County's Special Revenue Funds:

District Attorney Hot Check
Truancy Court
Law Library
County Clerk Records Management
Records Preservation
District Clerk Records Management
Juvenile Probation Fees
Courthouse Security
County Clerk Records Archive
County Clerk Vital Statistics
Voter Registration Chapter 19
Employee Activity
Dealer Inventory
Justice Court Building Security
Juvenile Case Management
County Attorney State Supplement
Truancy Prevention Fund
Juvenile Delinquency Prevention
Pre-Trial Intervention Program
Election Contracts
Unclaimed Juvenile Restitution
Court Records Preservation
Scofflaw Implementation Fee
Child Abuse Prevention
Appellate Justice System
Guardianship
Abandoned Motor Vehicles
Rabies Control
District Court Records Technology
County and District Court Technology
Justice Court Technology
Donations SO Mounted Patrol

Donations Constable 4 Bulletproof Vest
Homeshoe Promotions
Donations Horseshoe
Donations Sheriff's Office
Donations Constable 4
Donations Emergency Management
L.E.O.S.E. Funds
District Attorney Victims of Crime
District Attorney Drug Forfeiture
Sheriff Abell Hanger
Sheriff Local Drug Forfeiture
Sheriff Federal Forfeiture
Indigent Defense Improvement Grant
Office of Court Administration Grant
High Intensity Drug Trafficking Area Grant
Other Victims Assistance Grant
Mental Health Deputies
Texas Vine Grant
Crime Victim Services Grant
Donation SO Bulletproof Vest
Donation CIU Volunteer Support
Donation Teen Leadership Account
Donation Constable
Donation Fire Marshall
Title IV-E Federal Foster Care
Juvenile Probation State Grants
Justice Assistance Grants
Donation Cemetery Care
Donation Library
Donation Juvenile
Donation Dare Program
County Transportation Infrastructure Grant (CERTZ)

Midland County, Texas

Debt Service Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2017

	Original Budget
REVENUES	
Property tax, penalties and interest	\$ 580,000
Investment income	-
Total revenues	580,000
EXPENDITURES	
Debt service:	
Principal	505,561
Interests and fiscal charges	510,000
Total expenditures	1,015,561
Excess of revenues over expenditures	(435,561)
OTHER FINANCING	
Transfers out	(435,461)
Total other financing uses	(435,461)
Net change in fund balance	(871,022)
Fund balance - beginning of year	1,087,402
FUND BALANCE - END OF YEAR	\$ 216,380

Final Budget	Actual	Variance - Favorable (Unfavorable)
\$ 580,000	\$ 595,484	\$ 15,484
-	1,141	1,141
580,000	596,625	16,625
505,561	1,045,000	(539,439)
510,000	609,706	(99,706)
1,015,561	1,654,706	(639,145)
(435,561)	(1,058,081)	(622,520)
(435,461)	-	435,461
(435,461)	-	435,461
(871,022)	(1,058,081)	(187,059)
1,087,402	1,087,402	-
<u>\$ 216,380</u>	<u>\$ 29,321</u>	<u>\$ (187,059)</u>

Midland County, Texas

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget (GAAP Basis) and Actual
For the Fiscal Year Ended September 30, 2017

	Original Budget
REVENUES	
Investment income	\$ -
Other revenues	-
Total revenues	-
EXPENDITURES	
Capital outlay	8,595,000
Total expenditures	8,595,000
Deficiency of revenues over expenditures	(8,595,000)
OTHER FINANCING SOURCES (USES)	
Transfers in	6,619,136
Transfers out	(19,136)
Total other financing sources	6,600,000
Net change in fund balance	(1,995,000)
Fund balance - beginning of year	7,874,657
FUND BALANCE - END OF YEAR	\$ 5,879,657

Final Budget	Actual	Variance - Favorable (Unfavorable)
\$ -	\$ 52,572	\$ 52,572
-	1,500	1,500
-	54,072	54,072
8,317,136	1,948,947	6,368,189
8,317,136	1,948,947	6,368,189
(8,317,136)	(1,894,875)	6,422,261
6,619,136	5,019,136	(1,600,000)
(158,000)	(177,136)	(19,136)
6,461,136	4,842,000	(1,619,136)
(1,856,000)	2,947,125	4,803,125
7,874,657	7,874,657	-
\$ 6,018,657	\$ 10,821,782	\$ 4,803,125

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet
 September 30, 2017

	District Attorney Hot Check	Law Library	County Clerk Records Management
ASSETS			
Cash	\$ -	\$ 51	\$ (1)
Investments	187,085	23,268	1,331,231
Accounts receivable	-	58	-
Due from other funds	-	30,972	18,032
Due from other governmental agencies	-	-	-
Prepaid expenses	-	-	-
TOTAL ASSETS	\$ 187,085	\$ 54,349	\$ 1,349,262
LIABILITIES			
Accounts payable	\$ 479	\$ 8,769	\$ 4,209
Benefits payable	707	-	2,239
Due to other funds	1,071	-	1
Total liabilities	2,257	8,769	6,449
FUND BALANCES			
Restricted			
Legislation	184,828	45,580	1,342,813
Federal and state grants	-	-	-
Committed			
Employee motivation	-	-	-
Donations	-	-	-
Total fund balances	184,828	45,580	1,342,813
TOTAL LIABILITIES AND FUND BALANCES	\$ 187,085	\$ 54,349	\$ 1,349,262

Records Preservation	District Clerk Records Management	Juvenile Probation Fees	Courthouse Security	County Clerk Records Archive	County Clerk Vital Statistics
\$ 4,060	\$ 144,202	\$ -	\$ 161	\$ 1	\$ 417
319,679	-	16,911	11,941	1,445,154	168,842
-	-	-	-	121,332	-
560	50	325	1,301	18,874	67
-	-	-	-	-	-
-	-	-	-	-	-
\$ 324,299	\$ 144,252	\$ 17,236	\$ 13,403	\$ 1,585,361	\$ 169,326
\$ -	\$ -	\$ -	\$ 1,439	\$ -	\$ 23
-	-	-	2,487	1,691	37
-	-	-	-	-	-
-	-	-	3,926	1,691	60
324,299	144,252	17,236	9,477	1,583,670	169,266
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
324,299	144,252	17,236	9,477	1,583,670	169,266
\$ 324,299	\$ 144,252	\$ 17,236	\$ 13,403	\$ 1,585,361	\$ 169,326

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2017

	Voter Registration Chapter 19	Employee Activity	Dealer Inventory
ASSETS			
Cash	\$ (1)	\$ -	\$ -
Investments	-	15,709	29,832
Accounts receivable	-	1,142	-
Due from other funds	-	-	441
Due from other governmental agencies	1,657	-	-
Prepaid expenses	-	-	-
TOTAL ASSETS	\$ 1,656	\$ 16,851	\$ 30,273
LIABILITIES			
Accounts payable	\$ 79	\$ 50	\$ 42
Benefits payable	-	-	78
Due to other funds	1,577	-	92
Total liabilities	1,656	50	212
FUND BALANCES			
Restricted			
Legislation	-	-	30,061
Federal and state grants	-	-	-
Committed			
Employee motivation	-	16,801	-
Donations	-	-	-
Total fund balances	-	16,801	30,061
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,656	\$ 16,851	\$ 30,273

Justice Court Building Security	Juvenile Case Management	County Attorney State Supplement	Truancy Prevention Fund	Juvenile Delinquency Prevention	Pre-Trial Intervention Program
\$ 5,243	\$ 1	\$ (2)	\$ 1	\$ 195	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
179	21,751	-	33,826	-	384,854
-	-	70,000	-	-	-
-	-	-	-	-	-
<u>\$ 5,422</u>	<u>\$ 21,752</u>	<u>\$ 69,998</u>	<u>\$ 33,827</u>	<u>\$ 195</u>	<u>\$ 384,854</u>
\$ -	\$ 1,241	\$ 1,582	\$ 6	\$ -	\$ 5,827
-	2,040	597	-	-	4,956
-	-	42,936	-	-	2
-	3,281	45,115	6	-	10,785
5,422	18,471	24,883	33,821	195	374,069
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>5,422</u>	<u>18,471</u>	<u>24,883</u>	<u>33,821</u>	<u>195</u>	<u>374,069</u>
<u>\$ 5,422</u>	<u>\$ 21,752</u>	<u>\$ 69,998</u>	<u>\$ 33,827</u>	<u>\$ 195</u>	<u>\$ 384,854</u>

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2017

	Election Contracts	Unclaimed Juvenile Restitution	Court Records Preservation
ASSETS			
Cash	\$ (1)	\$ 494	\$ -
Investments	-	-	-
Accounts receivable	(7)	-	-
Due from other funds	74,909	-	219,431
Due from other governmental agencies	-	-	-
Prepaid expenses	1,998	-	-
TOTAL ASSETS	\$ 76,899	\$ 494	\$ 219,431
LIABILITIES			
Accounts payable	\$ 1,054	\$ -	\$ -
Benefits payable	-	-	-
Due to other funds	887	-	-
Total liabilities	1,941	-	-
FUND BALANCES			
Restricted			
Legislation	72,960	494	219,431
Federal and state grants	-	-	-
Committed			
Employee motivation	-	-	-
Donations	-	-	-
Total fund balances	74,958	494	219,431
TOTAL LIABILITIES AND FUND BALANCES	\$ 76,899	\$ 494	\$ 219,431

Scofflaw Implementation Fee	Child Abuse Prevention	Appellate Justice System	Guardianship	Abandoned Motor Vehicles	Rabies Control
\$ -	\$ -	\$ 3,647	\$ 98,037	\$ 15,803	\$ 64,677
-	-	-	-	-	-
-	-	-	-	290	570
15,230	8,694	320	820	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 15,230</u>	<u>\$ 8,694</u>	<u>\$ 3,967</u>	<u>\$ 98,857</u>	<u>\$ 16,093</u>	<u>\$ 65,247</u>
\$ -	\$ -	\$ 3,967	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,967	-	-	-
15,230	8,694	-	98,857	16,093	65,247
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>15,230</u>	<u>8,694</u>	<u>-</u>	<u>98,857</u>	<u>16,093</u>	<u>65,247</u>
<u>\$ 15,230</u>	<u>\$ 8,694</u>	<u>\$ 3,967</u>	<u>\$ 98,857</u>	<u>\$ 16,093</u>	<u>\$ 65,247</u>

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2017

	District Court Records Technology	County and District Court Technology	Justice Court Technology
ASSETS			
Cash	\$ 1	\$ 50,785	\$ 2
Investments	-	-	-
Accounts receivable	-	-	-
Due from other funds	164,670	40	312,451
Due from other governmental agencies	-	-	-
Prepaid expenses	-	-	-
TOTAL ASSETS	\$ 164,671	\$ 50,825	\$ 312,453
LIABILITIES			
Accounts payable	\$ -	\$ 701	\$ -
Benefits payable	-	-	-
Due to other funds	-	-	-
Total liabilities	-	701	-
FUND BALANCES			
Restricted			
Legislation	164,671	50,124	312,453
Federal and state grants	-	-	-
Committed			
Employee motivation	-	-	-
Donations	-	-	-
Total fund balances	164,671	50,124	312,453
TOTAL LIABILITIES AND FUND BALANCES	\$ 164,671	\$ 50,825	\$ 312,453

Donations SO Mounted Patrol	Donations Const 4 Bullet Proof Vest	Donations Horseshoe	Donations Sheriff's Office	Donations Constable 4	Donations Agrilife	Donation Impacts
\$ 36,847	\$ 500	56,093	\$ 89,972	\$ 1	\$ 50	\$ 500
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	130	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 36,847</u>	<u>\$ 500</u>	<u>\$ 56,093</u>	<u>\$ 89,972</u>	<u>\$ 131</u>	<u>\$ 50</u>	<u>\$ 500</u>
\$ 722	\$ -	\$ -	\$ 21	\$ (350)	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>722</u>	<u>-</u>	<u>-</u>	<u>21</u>	<u>(350)</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
36,125	500	56,093	89,951	481	50	500
<u>36,125</u>	<u>500</u>	<u>56,093</u>	<u>89,951</u>	<u>481</u>	<u>50</u>	<u>500</u>
<u>\$ 36,847</u>	<u>\$ 500</u>	<u>\$ 56,093</u>	<u>\$ 89,972</u>	<u>\$ 131</u>	<u>\$ 50</u>	<u>\$ 500</u>

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2017

	L.E.O.S.E. Funds	District Attorney Victims of Crime	District Attorney Drug Forfeiture
ASSETS			
Cash	\$ 28,939	\$ -	\$ (3)
Investments	-	11,891	165,333
Accounts receivable	-	-	11,905
Due from other funds	682	-	40,984
Due from other governmental agencies	-	-	-
Prepaid expenses	-	-	-
TOTAL ASSETS	\$ 29,621	\$ 11,891	\$ 218,219
LIABILITIES			
Accounts payable	\$ 595	\$ -	\$ 31,134
Benefits payable	-	-	504
Due to other funds	-	-	4
Total liabilities	595	-	31,642
FUND BALANCES			
Restricted			
Legislation	29,026	-	186,577
Federal and state grants	-	-	-
Committed			
Employee motivation	-	-	-
Donations	-	11,891	-
Total fund balances	29,026	11,891	186,577
TOTAL LIABILITIES AND FUND BALANCES	\$ 29,621	\$ 11,891	\$ 218,219

Sheriff Abell Hanger	Sheriff Local Drug Forfeiture	Sheriff Federal Forfeiture	Indigent Defense Improvement Grant	Office of Court Administration Grant	High Intensity Drug Trafficking Area
\$ -	\$ -	\$ 58	\$ 6,033	\$ 3	\$ -
588	16,821	328,829	-	-	-
-	-	-	-	-	-
-	-	-	-	8,917	726
-	-	-	-	-	-
<u>\$ 588</u>	<u>\$ 16,821</u>	<u>\$ 328,887</u>	<u>\$ 6,033</u>	<u>\$ 8,920</u>	<u>\$ 726</u>
\$ -	\$ -	\$ 534	\$ -	\$ 387	\$ -
-	-	-	-	570	-
-	-	-	-	5,591	726
-	-	534	-	6,548	726
-	16,821	328,353	-	-	-
-	-	-	6,033	2,372	-
-	-	-	-	-	-
588	-	-	-	-	-
<u>588</u>	<u>16,821</u>	<u>328,353</u>	<u>6,033</u>	<u>2,372</u>	<u>-</u>
<u>\$ 588</u>	<u>\$ 16,821</u>	<u>\$ 328,887</u>	<u>\$ 6,033</u>	<u>\$ 8,920</u>	<u>\$ 726</u>

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2017

	Other Victims' Assistance Grant	Truancy Court	Mental Health Deputies
ASSETS			
Cash	\$ -	\$ 4,265	\$ 6,738
Investments	-	-	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental agencies	8,160	-	5,833
Prepaid expenses	-	-	-
TOTAL ASSETS	\$ 8,160	\$ 4,265	\$ 12,571
LIABILITIES			
Accounts payable	\$ 813	\$ -	\$ 4,815
Benefits payable	1,419	-	7,756
Due to other funds	5,928	-	-
Total liabilities	8,160	-	12,571
FUND BALANCES			
Restricted			
Legislation	-	-	-
Federal and state grants	-	-	-
Committed			
Employee motivation	-	-	-
Donations	-	4,265	-
Total fund balances	-	4,265	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,160	\$ 4,265	\$ 12,571

Texas VINE Grant	Crime Victim Services Grant	Donation SO Bulletproof Vest	Donation CIU Volunteer Support	Donation Teen Leadership Account	Donation Constable 2
\$ -	\$ (1)	\$ 31,896	\$ 1,813	\$ 2,916	\$ -
-	-	-	-	-	-
-	1,983	-	-	-	-
-	-	-	-	-	10
-	3,879	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 5,861</u>	<u>\$ 31,896</u>	<u>\$ 1,813</u>	<u>\$ 2,916</u>	<u>\$ 10</u>
\$ -	\$ 710	\$ 730	\$ 474	\$ -	\$ -
-	1,020	-	-	-	-
-	4,131	-	-	-	-
-	5,861	730	474	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	31,166	1,339	2,916	10
-	-	31,166	1,339	2,916	10
<u>\$ -</u>	<u>\$ 5,861</u>	<u>\$ 31,896</u>	<u>\$ 1,813</u>	<u>\$ 2,916</u>	<u>\$ 10</u>

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2017

	Title IV-E Federal Foster Care	Juvenile Probation State Grants
ASSETS		
Cash	28,689	\$ 22,273
Investments	181,206	-
Accounts receivable	5,366	2,727
Due from other funds	-	-
Due from other governmental agencies	4,763	90,743
Prepaid expenses	-	-
TOTAL ASSETS	\$ 220,024	\$ 115,743
LIABILITIES		
Accounts payable	5,465	\$ 63,885
Benefits payable	-	10,441
Due to other funds	-	41,417
Total liabilities	5,465	115,743
FUND BALANCES		
Restricted		
Legislation	-	-
Federal and state grants	214,559	-
Committed		
Employee motivation	-	-
Donations	-	-
Total fund balances	214,559	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 220,024	\$ 115,743

<u>Justice Assistance Grants</u>	<u>Donation Cemetery Care</u>	<u>Donation Library</u>	<u>Donation Juvenile</u>	<u>Donation Dare Program</u>	<u>Homeshoe Promotions</u>
\$ -	\$ 793	\$ 7,770	\$ 148.00	\$ 33,145	\$ 99,000
-	-	-	-	-	-
-	-	190	-	-	-
-	-	70,652	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 793</u>	<u>\$ 78,612</u>	<u>\$ 148</u>	<u>\$ 33,145</u>	<u>\$ 99,000</u>
\$ -	\$ -	\$ -	\$ -	\$ 121	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	121	-
-	-	-	-	-	-
-	-	-	-	-	-
-	793	78,612	148	33,024	99,000
-	793	78,612	148	33,024	99,000
<u>\$ -</u>	<u>\$ 793</u>	<u>\$ 78,612</u>	<u>\$ 148</u>	<u>\$ 33,145</u>	<u>\$ 99,000</u>

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2017

	<u>C.E.R.T.Z</u>	<u>Totals</u>
ASSETS		
Cash	\$ 2	\$ 846,213
Investments	-	4,254,320
Accounts receivable	-	145,556
Due from other funds	-	1,420,255
Due from other governmental agencies	1,088,304	1,282,982
Prepaid expenses	-	1,998
	<u>\$ 1,088,306</u>	<u>\$ 7,951,324</u>
LIABILITIES		
Accounts payable	\$ 131,833	\$ 271,357
Benefits payable	-	36,542
Due to other funds	956,473	1,060,836
	<u>1,088,306</u>	<u>1,368,735</u>
FUND BALANCES		
Restricted		
Legislation	-	5,893,374
Federal and state grants	-	222,964
Committed		
Employee motivation	-	16,801
Donations	-	447,452
	<u>-</u>	<u>6,582,589</u>
	<u>\$ 1,088,306</u>	<u>\$ 7,951,324</u>
TOTAL LIABILITIES AND FUND BALANCES		

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Midland County, Texas

Nonmajor Governmental Funds – Combining Statement
of Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended September 30, 2017

	District Attorney Hot Check	Law Library	County Clerk Records Management
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ -
Intergovernmental	22,500	-	-
Charges for services	28,085	115,759	380,113
Investment income	101	12	8,391
Other revenue	-	-	-
Total revenues	50,686	115,771	388,504
EXPENDITURES			
Current			
General administration	-	-	-
Judicial	38,924	70,191	125,954
Financial administration	-	-	-
Elections	-	-	-
Public safety and corrections	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	7,081
Total expenditures	38,924	70,191	133,035
Excess (deficiency) of revenues over (under) expenditures	11,762	45,580	255,469
OTHER FINANCING SOURCES			
Operating transfers in	-	-	-
Total other financing sources	-	-	-
Net change in fund balances	11,762	45,580	255,469
Fund balances - beginning of year	173,066	-	1,087,344
FUND BALANCES - END OF YEAR	\$ 184,828	\$ 45,580	\$ 1,342,813

<u>Records Preservation</u>	<u>District Clerk Records Management</u>	<u>Juvenile Probation Fees</u>	<u>Courthouse Security</u>	<u>County Clerk Records Archive</u>	<u>County Clerk Vital Statistics</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
77,778	18,981	7,443	94,771	372,054	10,928
2,013	-	13	105	13,641	1,727
-	-	-	-	129,282	-
<u>79,791</u>	<u>18,981</u>	<u>7,456</u>	<u>94,876</u>	<u>514,977</u>	<u>12,655</u>
-	-	-	-	-	-
23,054	4,520	3,578	104,495	179,876	5,121
-	-	-	-	-	-
-	-	-	-	-	-
-	-	7,968	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	9,803	-	-	-	-
<u>23,054</u>	<u>14,323</u>	<u>11,546</u>	<u>104,495</u>	<u>179,876</u>	<u>5,121</u>
56,737	4,658	(4,090)	(9,619)	335,101	7,534
-	-	-	-	-	-
-	-	-	-	-	-
<u>56,737</u>	<u>4,658</u>	<u>(4,090)</u>	<u>(9,619)</u>	<u>335,101</u>	<u>7,534</u>
<u>267,562</u>	<u>139,594</u>	<u>21,326</u>	<u>19,096</u>	<u>1,248,569</u>	<u>161,732</u>
<u>\$ 324,299</u>	<u>\$ 144,252</u>	<u>\$ 17,236</u>	<u>\$ 9,477</u>	<u>\$ 1,583,670</u>	<u>\$ 169,266</u>

Midland County, Texas

Nonmajor Governmental Funds – Combining Statement
of Revenues, Expenditures and Changes in Fund Balance – Continued
For the Fiscal Year Ended September 30, 2017

	Voter Registration Chapter 19	Employee Activity	Dealer Inventory
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	7,164	8,492	-
Investment income	-	7	4,882
Other revenue	-	-	-
Total revenues	7,164	8,499	4,882
EXPENDITURES			
Current			
General administration	-	7,627	-
Judicial	-	-	-
Financial administration	-	-	5,902
Elections	7,164	-	-
Public safety and corrections	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	7,164	7,627	5,902
Excess (deficiency) of revenues over (under) expenditures	-	872	(1,020)
OTHER FINANCING SOURCES			
Operating transfers in	-	-	-
Total other financing sources	-	-	-
Net change in fund balances	-	872	(1,020)
Fund balances - beginning of year	-	15,929	31,081
FUND BALANCES - END OF YEAR	\$ -	\$ 16,801	\$ 30,061

Justice Court Building Security	Juvenile Case Management	County Attorney State Supplement	Truancy Prevention Fund	Juvenile Delinquency Prevention	Pre-Trial Intervention Program
\$ 9,594	\$ 47,974	\$ -	\$ -	\$ -	\$ -
-	-	70,000	-	-	-
-	-	-	9,188	80	212,235
-	-	-	-	-	-
-	-	-	-	-	-
9,594	47,974	70,000	9,188	80	212,235
-	-	-	-	-	-
-	-	69,782	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	29,503	-	1,295	-	218,266
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	29,503	69,782	1,295	-	218,266
9,594	18,471	218	7,893	80	(6,031)
-	-	-	-	-	-
-	-	-	-	-	-
9,594	18,471	218	7,893	80	(6,031)
(4,172)	-	24,665	25,928	115	380,100
\$ 5,422	\$ 18,471	\$ 24,883	\$ 33,821	\$ 195	\$ 374,069

Midland County, Texas

Nonmajor Governmental Funds – Combining Statement
of Revenues, Expenditures and Changes in Fund Balance – Continued
For the Fiscal Year Ended September 30, 2017

	<u>Election Contracts</u>	<u>Unclaimed Juvenile Restitution</u>	<u>Court Records Preservation</u>
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	82,721	-	44,282
Investment income	-	-	-
Other revenue	-	-	-
Total revenues	<u>82,721</u>	<u>-</u>	<u>44,282</u>
EXPENDITURES			
Current			
General administration	-	-	-
Judicial	-	-	-
Financial administration	-	-	-
Elections	75,201	-	-
Public safety and corrections	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>75,201</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	7,520	-	44,282
OTHER FINANCING SOURCES			
Operating transfers in	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,520	-	44,282
Fund balances - beginning of year	<u>67,438</u>	<u>494</u>	<u>175,149</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 74,958</u></u>	<u><u>\$ 494</u></u>	<u><u>\$ 219,431</u></u>

Scofflaw Implementation Fee	Child Abuse Prevention	Appellate Justice System	Guardianship	Abandoned Motor Vehicles	Rabies Control
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
740	1,350	-	11,740	19,361	1,602
-	-	-	-	125	-
-	-	-	-	-	-
740	1,350	-	11,740	19,486	1,602
-	-	-	-	-	-
-	-	-	1,000	-	-
-	-	-	-	-	-
-	-	-	-	20,133	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	11,000	-
-	-	-	1,000	31,133	-
740	1,350	-	10,740	(11,647)	1,602
-	-	-	-	-	-
-	-	-	-	-	-
740	1,350	-	10,740	(11,647)	1,602
14,490	7,344	-	88,117	27,740	63,645
<u>\$ 15,230</u>	<u>\$ 8,694</u>	<u>\$ -</u>	<u>\$ 98,857</u>	<u>\$ 16,093</u>	<u>\$ 65,247</u>

Midland County, Texas

Nonmajor Governmental Funds – Combining Statement
of Revenues, Expenditures and Changes in Fund Balance – Continued
For the Fiscal Year Ended September 30, 2017

	District Court Records Technology	County and District Court Technology	Justice Court Technology
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ 38,492
Intergovernmental	-	-	-
Charges for services	33,945	9,770	-
Investment income	-	-	-
Other revenue	-	-	-
Total revenues	<u>33,945</u>	<u>9,770</u>	<u>38,492</u>
EXPENDITURES			
Current			
General administration	-	-	-
Judicial	-	1,442	1,054
Financial administration	-	-	-
Elections	-	-	-
Public safety and corrections	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	1,099	27,622
Total expenditures	<u>-</u>	<u>2,541</u>	<u>28,676</u>
Excess (deficiency) of revenues over (under) expenditures	33,945	7,229	9,816
OTHER FINANCING SOURCES			
Operating transfers in	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	33,945	7,229	9,816
Fund balances - beginning of year	<u>130,726</u>	<u>42,895</u>	<u>302,637</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 164,671</u></u>	<u><u>\$ 50,124</u></u>	<u><u>\$ 312,453</u></u>

<u>Donations SO Mounted Patrol</u>	<u>Donations Const 4 Bullet Proof Vest</u>	<u>Donations Horseshoe</u>	<u>Donations Sheriff's Office</u>	<u>Donations Constable 4</u>	<u>Donations Agrilife</u>	<u>Donation Impacts</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
25,500	-	-	94,400	-	-	500
<u>25,500</u>	<u>-</u>	<u>-</u>	<u>94,400</u>	<u>-</u>	<u>-</u>	<u>500</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,445	-	-	61,716	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	84,585	-	-	-	-
<u>4,445</u>	<u>-</u>	<u>84,585</u>	<u>61,716</u>	<u>-</u>	<u>-</u>	<u>-</u>
21,055	-	(84,585)	32,684	-	-	500
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
21,055	-	(84,585)	32,684	-	-	500
15,070	500	140,678	57,267	481	50	-
<u>\$ 36,125</u>	<u>\$ 500</u>	<u>\$ 56,093</u>	<u>\$ 89,951</u>	<u>\$ 481</u>	<u>\$ 50</u>	<u>\$ 500</u>

Midland County, Texas

Nonmajor Governmental Funds – Combining Statement
of Revenues, Expenditures and Changes in Fund Balance – Continued
For the Fiscal Year Ended September 30, 2017

	L.E.O.S.E. Funds	District Attorney Victims of Crime	District Attorney Drug Forfeiture
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ 16,492
Intergovernmental	13,933	-	-
Charges for services	-	-	-
Investment income	28	4	1,010
Other revenue	-	-	-
Total revenues	13,961	4	17,502
EXPENDITURES			
Current			
General administration	-	-	-
Judicial	-	-	25,495
Financial administration	-	-	-
Elections	-	-	-
Public safety and corrections	2,372	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	2,372	-	25,495
Excess (deficiency) of revenues over (under) expenditures	11,589	4	(7,993)
OTHER FINANCING SOURCES			
Operating transfers in	-	-	-
Total other financing sources	-	-	-
Net change in fund balances	11,589	4	(7,993)
Fund balances - beginning of year	17,437	11,887	194,570
FUND BALANCES - END OF YEAR	\$ 29,026	\$ 11,891	\$ 186,577

Sheriff Abell Hanger	Sheriff Local Drug Forfeiture	Sheriff Federal Forfeiture	Indigent Defense Improvement Grant	Office of Court Administration Grant	High Intensity Drug Trafficking Area
\$ -	\$ -	\$ 24,156	\$ -	\$ -	\$ -
-	-	-	-	56,212	14,762
-	-	-	-	-	-
-	131	2,584	-	-	-
-	-	-	-	-	-
-	131	26,740	-	56,212	14,762
-	-	-	-	-	-
-	-	-	-	53,822	-
-	-	-	-	-	-
-	-	-	-	-	-
49	8	36,697	-	-	14,762
-	-	-	-	-	-
-	-	-	-	-	-
-	-	76,626	-	-	-
49	8	113,323	-	53,822	14,762
(49)	123	(86,583)	-	2,390	-
-	-	-	-	-	-
-	-	-	-	-	-
(49)	123	(86,583)	-	2,390	-
637	16,698	414,936	6,033	(18)	-
\$ 588	\$ 16,821	\$ 328,353	\$ 6,033	\$ 2,372	\$ -

Midland County, Texas

Nonmajor Governmental Funds – Combining Statement
of Revenues, Expenditures and Changes in Fund Balance – Continued
For the Fiscal Year Ended September 30, 2017

	Other Victims' Assistance Grant	Truancy Court	Mental Health Deputies
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ -
Intergovernmental	38,529	-	70,000
Charges for services	-	-	-
Investment income	-	-	-
Other revenue	-	3,615	-
Total revenues	38,529	3,615	70,000
EXPENDITURES			
Current			
General administration	-	-	-
Judicial	-	-	-
Financial administration	-	-	-
Elections	-	-	-
Public safety and corrections	-	-	-
Health and welfare	38,529	-	361,665
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	38,529	-	361,665
Excess (deficiency) of revenues over (under) expenditures	-	3,615	(291,665)
OTHER FINANCING SOURCES			
Operating transfers in	-	-	291,665
Total other financing sources	-	-	291,665
Net change in fund balances	-	3,615	-
Fund balances - beginning of year	-	650	-
FUND BALANCES - END OF YEAR	\$ -	\$ 4,265	\$ -

Texas VINE Grant	Crime Victim Services Grant	Donation SO Bulletproof Vest	Donation CIU Volunteer Support	Donation Teen Leadership Account	Donation Constable 2
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21,785	38,422	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	11,544	400	-	-
21,785	38,422	11,544	400	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	3,078	921	-	-
21,785	38,422	-	-	1,000	-
-	-	-	-	-	-
-	-	-	-	-	-
21,785	38,422	3,078	921	1,000	-
-	-	8,466	(521)	(1,000)	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	8,466	(521)	(1,000)	-
-	-	22,700	1,860	3,916	10
\$ -	\$ -	\$ 31,166	\$ 1,339	\$ 2,916	\$ 10

Midland County, Texas

Nonmajor Governmental Funds – Combining Statement
of Revenues, Expenditures and Changes in Fund Balance – Continued
For the Fiscal Year Ended September 30, 2017

	Title IV-E Federal Foster Care	Juvenile Probation State Grants
REVENUES		
Fines and forfeitures	\$ -	\$ -
Intergovernmental	42,539	1,003,894
Charges for services	-	-
Investment income	1,933	-
Other revenue	-	-
Total revenues	44,472	1,003,894
EXPENDITURES		
Current		
General administration	519	-
Judicial	-	-
Financial administration	-	-
Elections	-	-
Public safety and corrections	-	1,003,894
Health and welfare	-	-
Culture and recreation	-	-
Capital outlay	24,961	-
Total expenditures	25,480	1,003,894
Excess (deficiency) of revenues over (under) expenditures	18,992	-
OTHER FINANCING SOURCES		
Operating transfers in	-	-
Total other financing sources	-	-
Net change in fund balances	18,992	-
Fund balances - beginning of year	195,567	-
FUND BALANCES - END OF YEAR	\$ 214,559	\$ -

<u>Justice Assistance Grants</u>	<u>Donation Cemetery Care</u>	<u>Donation Library</u>	<u>Donation Juvenile</u>	<u>Donation Dare Program</u>	<u>Homeshoe Promotions</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12,462	-	-	-	-	-
-	-	-	-	-	-
55	-	-	-	-	-
-	-	80,806	-	31,000	-
<u>12,517</u>	<u>-</u>	<u>80,806</u>	<u>-</u>	<u>31,000</u>	<u>-</u>
-	-	-	-	5,285	25,000
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,517	-	-	-	-	-
-	-	-	-	-	-
-	-	35,591	-	-	-
-	-	1,021	-	1,665	-
<u>12,517</u>	<u>-</u>	<u>36,612</u>	<u>-</u>	<u>6,950</u>	<u>25,000</u>
-	-	44,194	-	24,050	(25,000)
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	44,194	-	24,050	(25,000)
-	793	34,418	148	8,974	124,000
<u>\$ -</u>	<u>\$ 793</u>	<u>\$ 78,612</u>	<u>\$ 148</u>	<u>\$ 33,024</u>	<u>\$ 99,000</u>

Midland County, Texas

Nonmajor Governmental Funds – Combining Statement
of Revenues, Expenditures and Changes in Fund Balance – Continued
For the Fiscal Year Ended September 30, 2017

	<u>C.E.R.T.Z</u>	<u>Totals</u>
REVENUES		
Fines and forfeitures	\$ -	\$ 136,708
Intergovernmental	2,080,394	3,485,432
Charges for services	-	1,548,582
Investment income	-	36,762
Other revenue	-	377,047
	<hr/>	<hr/>
Total revenues	2,080,394	5,584,531
EXPENDITURES		
Current		
General administration	-	38,431
Judicial	-	708,308
Financial administration	-	5,902
Elections	-	82,365
Public safety and corrections	-	1,417,624
Health and welfare	-	461,401
Culture and recreation	-	35,591
Capital outlay	2,600,490	2,845,953
	<hr/>	<hr/>
Total expenditures	2,600,490	5,595,575
Excess (deficiency) of revenues over (under) expenditures	(520,096)	(11,044)
OTHER FINANCING SOURCES		
Operating transfers in	513,473	805,138
	<hr/>	<hr/>
Total other financing sources	513,473	805,138
Net change in fund balances	(6,623)	794,094
Fund balances - beginning of year	6,623	5,788,495
	<hr/>	<hr/>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 6,582,589</u>

Nonmajor Internal Service Funds

The Internal Service Funds account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. The three Internal Service Funds are:

Risk Management
Health Care
Fleet Maintenance

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Midland County, Texas
Internal Service Funds
Combining Statement of Net Position
September 30, 2017

	<u>Risk Management</u>	<u>Health Care</u>	<u>Fleet Maintenance</u>	<u>Total</u>
ASSETS				
Current assets				
Cash and equivalents	\$ 892	\$ 1	\$ 168,929	\$ 169,822
Investments	5,242,504	3,820,791	-	9,063,295
Accounts receivable	1,000	68,261	-	69,261
Due from other funds	65,193	43,262	-	108,455
Total current assets	5,309,589	3,932,315	168,929	9,410,833
Non current assets				
Other assets	-	-	26,662	26,662
Total non current assets	-	-	26,662	26,662
TOTAL ASSETS	<u>\$ 5,309,589</u>	<u>\$ 3,932,315</u>	<u>\$ 195,591</u>	<u>\$ 9,437,495</u>
LIABILITIES				
Accounts payable	\$ 95,263	\$ 813,757	\$ 50,404	\$ 959,424
TOTAL LIABILITIES	95,263	813,757	50,404	959,424
NET POSITION				
Unrestricted	5,214,326	3,118,558	145,187	8,478,071
TOTAL NET POSITION	<u>\$ 5,214,326</u>	<u>\$ 3,118,558</u>	<u>\$ 145,187</u>	<u>\$ 8,478,071</u>

Midland County, Texas

Internal Service Funds

Combining Statement of Revenues, Expenses and
Changes in Fund Net Position

For the Fiscal Year Ended September 30, 2017

	Risk Management
OPERATING REVENUES	
Charges for services	\$ 1,085,133
Total operating revenues	1,085,133
OPERATING EXPENSES	
Fleet maintenance	19,995
Claims expense	-
Administration costs	187,819
Premium cost	656,114
Professional services	77,256
Total operating expenses	941,184
Operating income (loss)	143,949
NONOPERATING REVENUES	
Investment income	52,025
Miscellaneous income	-
Total nonoperating revenues	52,025
Income (loss) before transfers	195,974
Transfers in	-
Change in net position	195,974
Net position - beginning of year	5,018,352
NET POSITION - END OF YEAR	\$ 5,214,326

Health Care	Fleet Maintenance	Totals
\$ 8,191,209	\$ 583,990	\$ 9,860,332
8,191,209	583,990	9,860,332
-	597,203	617,198
5,869,015	-	5,869,015
817,174	-	1,004,993
692,901	-	1,349,015
-	-	77,256
7,379,090	597,203	8,917,477
812,119	(13,213)	942,855
23,935	-	75,960
3,475	-	3,475
27,410	-	79,435
839,529	(13,213)	1,022,290
-	16,000	16,000
839,529	2,787	1,038,290
2,279,029	142,400	7,439,781
\$ 3,118,558	\$ 145,187	\$ 8,478,071

Midland County, Texas

Internal Service Funds

Combining Statement of Cash Flows

For the Fiscal Year Ended September 30, 2017

	Risk Management
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from charges for services	\$ 1,084,133
Cash paid for services	(964,585)
Net cash provided by operating activities	119,548
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	-
Net cash provided by noncapital financing activities	-
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(171,810)
Investment income received	52,025
Miscellaneous income received	-
Net cash used in investing activities	(119,785)
Net change in cash	(237)
Cash and cash equivalents, beginning of year	1,129
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 892</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ 143,949
Adjustments to reconcile operating income (loss) to net cash provided by operating activities	
Accounts receivable	(1,000)
Due from other funds	(45,288)
Accounts payable	21,887
Total adjustments	(24,401)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 119,548</u>

Health Care	Fleet Maintenance	Totals
\$ 8,169,507 (7,460,341)	\$ 587,955 (435,027)	\$ 9,841,595 (8,859,953)
709,166	152,928	981,642
-	16,000	16,000
-	16,000	16,000
(736,575)	-	(908,385)
23,935	-	75,960
3,475	-	3,475
(709,165)	-	(828,950)
1	168,928	168,692
-	1	1,130
<u>\$ 1</u>	<u>\$ 168,929</u>	<u>\$ 169,822</u>
\$ 812,119	\$ (13,213)	\$ 942,855
(21,702)	3,965	(18,737)
(1,480)	158,270	111,502
(79,771)	3,906	(53,978)
(102,953)	166,141	38,787
<u>\$ 709,166</u>	<u>\$ 152,928</u>	<u>\$ 981,642</u>

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Agency Funds

Agency funds are used to account for funds held or collected for the benefit of other funds, governments or individuals. These funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. They are as follows:

District Clerk
County Clerk
District Attorney
Sheriff
Justice of the Peace Precinct #1
Justice of the Peace Precinct #2
Justice of the Peace Precinct #3
Justice of the Peace Precinct #4
Juvenile Probation
Tax Assessor Collector
Constable Precinct 2
Constable Precinct 3
Constable Precinct 4
Unclaimed Property Fund
Basic Security
CS&CD Basic Supervision
CS&CD Mental Health Initiative
CS&CD Substance Abuse Continuum
CS&CD Midland Outpatient Treatment Center
CS&CD Cognitive Behavior
Sex Offender Caseload
DWI Repeat Offender Caseload

Midland County, Texas

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

September 30, 2017

	<u>District Clerk</u>	<u>County Clerk</u>	<u>District Attorney</u>	<u>Sheriff</u>
ASSETS				
Cash and cash equivalents	\$ 1,453,463	\$ 1,485,880	\$ 26,977	\$ 1,263,540
Investments held in trust	7,250,573	75,674	-	-
Other receivables	6,799	8,118	-	-
Due from other funds	317	1,452	-	2,242
TOTAL ASSETS	<u>\$ 8,711,152</u>	<u>\$ 1,571,124</u>	<u>\$ 26,977</u>	<u>\$ 1,265,782</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	3,877	50,788	30	147,504
Due to other governmental agencies	140	258	-	2,096
Other liabilities	212	3,653	-	800,156
Funds held for others	8,706,923	1,516,425	26,947	316,026
TOTAL LIABILITIES	<u>\$ 8,711,152</u>	<u>\$ 1,571,124</u>	<u>\$ 26,977</u>	<u>\$ 1,265,782</u>

Justice of the Peace Precinct #1	Justice of the Peace Precinct #2	Justice of the Peace Precinct #3	Justice of the Peace Precinct #4	Juvenile Probation	Tax Assessor Collector
\$ 15,698	\$ 22,549	\$ 19,767	\$ 11,693	\$ 10,652	\$ 990,110
-	-	-	-	-	-
1,057	2,965	550	1,455	-	566,020
-	715	-	1,813	-	147,172
<u>\$ 16,755</u>	<u>\$ 26,229</u>	<u>\$ 20,317</u>	<u>\$ 14,961</u>	<u>\$ 10,652</u>	<u>\$ 1,703,302</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,757	19,960	18,468	10,939	325	567,373
-	-	-	-	-	1,129,218
264	-	60	-	-	15
6,734	6,269	1,789	4,022	10,327	6,696
<u>\$ 16,755</u>	<u>\$ 26,229</u>	<u>\$ 20,317</u>	<u>\$ 14,961</u>	<u>\$ 10,652</u>	<u>\$ 1,703,302</u>

Midland County, Texas

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities – Continued

September 30, 2017

	<u>Constable Precinct 2</u>	<u>Constable Precinct 3</u>	<u>Constable Precinct 4</u>	<u>Unclaimed Property Fund</u>	<u>Basic Security</u>
ASSETS					
Cash and cash equivalents	\$ 4,061	\$ 2	\$ 104	\$ 1	\$ 79,002
Investments held in trust	-	-	-	22,014	-
Other receivables	-	-	-	-	-
Due from other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 4,061</u>	<u>\$ 2</u>	<u>\$ 104</u>	<u>\$ 22,015</u>	<u>\$ 79,002</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	5,279	-
Due to other governmental agencies	-	-	-	10,236	-
Other liabilities	4,061	2	101	-	-
Funds held for others	-	-	3	6,500	79,002
TOTAL LIABILITIES	<u>\$ 4,061</u>	<u>\$ 2</u>	<u>\$ 104</u>	<u>\$ 22,015</u>	<u>\$ 79,002</u>

<u>CS&CD Basic Supervision</u>	<u>CS&CD Mental Health Initiative</u>	<u>CS&CD Substance Abuse Continuum</u>	<u>CS&CD Midland Outpatient Treatment Center</u>	<u>CS&CD Cognitive Behavior</u>
\$ 863,584	\$ -	\$ 67,297	\$ 66,608	\$ 4,591
1,688	-	-	-	-
2,453	-	-	-	-
97,225	3,312	-	-	14,556
<u>\$ 964,950</u>	<u>\$ 3,312</u>	<u>\$ 67,297</u>	<u>\$ 66,608</u>	<u>\$ 19,147</u>
\$ 7,414	\$ 251	\$ -	\$ -	\$ 1,781
171,636	2,697	67,297	21,273	4,680
727,080	1	-	36,438	11,011
58,820	363	-	7,014	1,675
-	-	-	1,883	-
<u>\$ 964,950</u>	<u>\$ 3,312</u>	<u>\$ 67,297</u>	<u>\$ 66,608</u>	<u>\$ 19,147</u>

Midland County, Texas

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities – Continued

September 30, 2017

	Sex Offender Caseload	DWI Repeat Offender Caseload	Totals
ASSETS			
Cash and cash equivalents	\$ 13,218	\$ 6,606	\$ 6,405,403
Investments held in trust	-	-	7,349,949
Other receivables	-	-	589,417
Due from other funds	21,998	52,171	342,973
TOTAL ASSETS	\$ 35,216	\$ 58,777	\$ 14,687,742
LIABILITIES			
Accounts payable	\$ 251	\$ 251	\$ 9,948
Due to other funds	13,726	13,605	1,129,214
Due to other governmental agencies	18,427	42,421	1,977,326
Other liabilities	2,812	2,500	881,708
Funds held for others	-	-	10,689,546
TOTAL LIABILITIES	\$ 35,216	\$ 58,777	\$ 14,687,742

Statistical Data
(Unaudited)

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Midland County, Texas
Net Asset Information¹
Last Ten Fiscal Years

Table 1

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities:										
Invested in capital assets, net of related debt	\$ 49,483,673	\$ 55,495,757	\$ 64,661,102	\$ 65,543,884	\$ 68,658,903	\$ 74,455,972	\$ 108,066,451	\$ 125,347,288	\$ 128,759,583	\$ 129,496,408
Restricted, debt service, legislation, and grants	334,702	-	-	439,114	515,403	6,875,870	5,152,937	6,191,586	16,866,784	17,124,126
Unrestricted	54,228,563	58,367,497	55,514,056	74,121,687	95,749,635	105,075,226	97,354,499	87,652,573	54,648,172	67,984,157
Total governmental activities net assets	\$ 104,046,938	\$ 113,863,254	\$ 120,175,158	\$ 140,104,685	\$ 164,923,941	\$ 186,407,068	\$ 210,573,887	\$ 219,191,447	\$ 200,274,539	\$ 214,604,691

Source: Current and prior years' financial statements

¹ Reporting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted when (1) an external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the County, as is the case with several special revenue funds restricted to the purposes of the fund. Public trust net assets are restricted by applicable trust and bond indentures to the purposes of the trust, appropriately reported in separate funds at the fund reporting

Midland County, Texas
Changes in Net Assets Information
Last Ten Fiscal Years¹

Table 2

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
PROGRAM REVENUES										
Governmental activities:										
Fees, fines, and charges for services:										
General administration	\$ 657,461	\$ 645,373	\$ 659,537	\$ 775,489	\$ 970,332	\$ 1,150,868	\$ 1,202,492	\$ 1,159,848	\$ 1,119,566	\$ 939,295
Judicial	5,877,651	5,289,739	4,691,923	6,863,427	5,682,820	4,111,105	5,223,333	6,766,617	3,803,762	8,311,927
Elections	38,585	43,444	39,300	36,258	43,527	68,619	51,806	15,571	40	115
Public safety and corrections	1,485,117	1,512,307	1,303,540	1,275,375	1,334,539	1,448,175	1,719,351	1,800,449	1,740,928	1,972,228
Health and welfare	25,000	33,268	26,875	26,500	24,800	17,500	23,275	30,850	32,000	28,900
Culture and recreation	253,525	313,888	41,782	315,229	393,712	419,895	27,237	105,803	19,996	17,187
Highways and roads	2,584,791	2,492,414	2,126,853	2,443,223	2,369,145	2,423,226	3,376,066	2,417,970	2,079,363	2,088,216
Operating grants and contributions	1,929,944	1,886,721	2,723,498	1,897,441	2,284,436	2,184,688	2,634,399	2,229,127	2,123,179	3,813,111
Capital grants and contributions	596,536	109,478	-	20,000	17,502	69,987	3,814,514	-	-	-
Total primary government program revenues	13,448,610	12,326,632	11,613,308	13,652,942	13,120,813	11,894,063	18,072,473	14,526,235	10,918,834	17,170,979
EXPENSES										
Governmental activities:										
General administration	5,842,303	6,412,572	8,774,777	7,805,076	9,160,753	10,057,877	11,700,816	11,805,385	11,915,192	12,293,502
Judicial	9,477,608	10,439,343	11,493,494	11,668,648	11,883,961	12,986,637	15,000,485	15,660,986	17,129,275	18,802,089
Financial administration	2,029,845	2,149,279	2,141,795	2,208,608	2,420,644	2,735,855	2,949,724	3,213,036	3,345,084	3,667,133
Elections	639,164	446,817	505,182	446,412	571,875	506,899	564,981	487,880	560,889	620,092
Public safety and corrections	15,492,378	17,293,520	18,123,535	17,053,222	17,858,374	20,950,248	23,491,340	24,518,270	27,079,545	29,011,325
Health and welfare	1,442,134	872,397	824,170	703,140	788,022	979,296	2,515,521	1,257,712	1,188,446	1,217,139
Culture and recreation	2,885,955	3,050,567	2,883,345	2,734,693	2,965,887	4,533,049	4,433,045	5,258,833	6,050,548	6,626,791
Conservation and natural resources	226,154	198,467	238,694	223,153	223,305	178,396	2,167,721	2,519,168	1,632,249	157,712
Highways and roads	3,881,097	4,216,759	4,536,358	5,003,580	4,664,656	5,018,322	4,629,443	6,290,771	7,891,750	6,878,014
Interest on long-term debt	479,385	867,549	1,529,113	1,272,932	1,271,344	1,220,125	906,326	831,023	749,969	609,706
Total primary government expenses	42,396,023	45,947,270	51,050,463	49,119,464	51,808,821	59,166,704	68,359,402	71,843,064	76,073,947	79,883,505
NET EXPENSE										
Governmental activities	(28,947,413)	(33,620,638)	(39,437,155)	(35,466,522)	(38,688,008)	(47,272,641)	(50,286,929)	(57,316,829)	(65,155,113)	(62,712,526)
Total primary government net expense	(28,947,413)	(33,620,638)	(39,437,155)	(35,466,522)	(38,688,008)	(47,272,641)	(50,286,929)	(57,316,829)	(65,155,113)	(62,712,526)
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS										
Governmental activities:										
Taxes:										
Property taxes	21,331,835	22,993,225	24,896,103	26,740,020	26,420,493	25,393,305	26,110,285	27,077,403	31,691,056	33,198,763
Sales tax	20,037,587	18,268,325	18,822,713	26,506,605	34,304,031	38,406,798	45,807,563	41,183,068	30,790,248	38,616,646
Bingo tax	104,935	81,934	85,129	94,410	118,837	132,391	132,239	120,486	106,714	85,450
Mixed beverage tax	457,680	397,514	419,508	436,503	458,722	535,106	753,884	799,928	751,591	849,297
Occupancy tax	373,465	351,198	310,784	494,607	708,461	838,466	990,278	3,437,870	2,506,614	2,522,481
Unrestricted investment earnings	1,744,727	852,730	499,822	252,690	255,530	386,454	386,725	488,116	628,335	764,559
Gain on sale of assets	41,710	-	-	-	-	2,309,548	-	-	-	(196,698)
Miscellaneous	775,189	492,028	715,000	871,214	1,241,190	754,050	856,564	957,408	1,363,020	1,202,180
Total governmental activities	44,867,129	43,436,954	45,749,059	55,396,049	63,507,264	68,756,118	75,037,538	74,064,279	67,837,578	77,042,678
CHANGE IN NET ASSETS										
Governmental activities	15,919,716	9,816,316	6,311,904	19,929,527	24,819,256	21,483,477	24,750,609	16,747,450	2,682,465	14,330,152
TOTAL PRIMARY GOVERNMENT	\$ 15,919,716	\$ 9,816,316	\$ 6,311,904	\$ 19,929,527	\$ 24,819,256	\$ 21,483,477	\$ 24,750,609	\$ 16,747,450	\$ 2,682,465	\$ 14,330,152

Source: Current and prior years' financial statements

¹ Midland County began collecting the Hotel Occupancy tax August 2007.

Midland County, Texas
 Governmental Fund Balances¹
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)

Table 3

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GENERAL FUND:										
Reserved	\$ 427,825	\$ 402,973	\$ 112,354	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	35,019,362	36,961,858	38,659,881	-	-	-	-	-	-	-
Nonspendable	-	-	-	72,757	23,340	12,917	129,295	32,095	36,551	178,988
Restricted	-	-	-	494,607	708,461	838,466	990,278	1,081,530	695,480	906,240
Committed	-	-	-	15,672,750	21,647,030	-	-	-	-	-
Assigned	-	-	-	12,125,663	12,733,349	38,071,117	36,666,677	34,638,524	17,692,680	17,605,498
Unassigned	-	-	-	27,400,331	31,177,360	31,052,919	28,312,942	33,600,772	47,527,486	62,091,343
Total general fund	35,447,187	37,364,831	38,772,235	-	66,289,540	69,975,419	66,099,192	69,352,921	65,952,197	80,782,069
ALL OTHER GOVERNMENTAL FUNDS:										
Reserved	434,493	355,992	1,288,660	-	-	-	-	-	-	-
Unreserved, reported in:										
Road and bridge fund	2,708,620	2,610,223	2,395,820	-	-	-	-	-	-	-
Capital projects fund	4,840,875	26,234,801	15,688,318	-	-	-	-	-	-	-
Nonmajor governmental funds	3,020,470	3,094,439	2,648,669	-	-	-	-	-	-	-
Road and bridge fund										
Nonspendable	-	-	-	436,058	680,620	970,555	1,901,890	1,411,149	1,218,621	1,229,723
Restricted	-	-	-	1,550,865	1,958,108	1,806,167	2,075,488	5,335,304	9,120,890	10,072,227
Committed	-	-	-	1,421,409	1,217,414	1,627,215	-	-	-	-
Assigned	-	-	-	-	-	-	2,825,234	13,257	-	-
Debt service fund										
Restricted	-	-	-	562,466	633,300	6,934,835	360,419	399,900	1,087,402	29,321
Capital projects fund										
Nonspendable	-	-	-	-	365	-	-	-	-	-
Restricted	-	-	-	4,142,259	2,989,712	1,003,084	695,596	662,720	662,720	-
Committed	-	-	-	136,930	9,185,965	15,687,348	14,576,696	7,432,493	7,211,937	10,821,782
Nonmajor governmental funds										
Nonspendable	-	-	-	-	884	2,440	4,666	125	-	1,998
Restricted	-	-	-	2,294,315	2,511,462	3,080,721	4,162,659	4,784,067	5,341,904	6,116,338
Committed	-	-	-	895,305	84,234	292,723	287,550	328,728	446,591	464,253
Assigned	-	-	-	-	913,148	467,306	-	-	-	-
Total all other governmental funds	11,004,458	32,295,455	22,021,467	-	20,175,212	31,872,394	26,890,198	20,367,743	25,090,065	28,735,642
TOTAL GOVERNMENTAL FUNDS	\$ 46,451,645	\$ 69,660,286	\$ 60,793,702	\$ -	\$ 86,464,752	\$ 101,847,813	\$ 92,989,390	\$ 89,720,664	\$ 91,042,262	\$ 109,517,711

Source: Current and past years' financial statements

¹ The County implemented GASB 54 in fiscal year 2011.

Midland County, Texas
Governmental Funds – Changes in Fund Balances
Last Ten Fiscal Years

Table 4

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
Property tax, penalties and interest	\$21,398,919	\$ 22,867,523	\$ 24,889,309	\$ 26,559,793	\$ 26,615,931	\$ 25,525,917	\$ 26,243,452	\$ 27,156,172	\$ 31,580,561	\$ 33,028,491
Sales tax	20,037,587	18,268,325	18,822,713	26,506,605	34,304,031	36,900,900	44,018,335	41,183,068	30,790,248	38,616,646
Hotel-motel tax	373,465	351,198	310,784	494,607	708,461	838,466	990,278	1,081,530	695,480	906,240
Fines and forfeitures	2,332,403	2,151,251	2,009,637	2,475,877	2,559,947	2,617,996	3,076,654	3,684,888	3,781,591	2,890,265
Licenses and permits	3,040,871	2,889,928	2,546,362	2,625,248	2,827,867	2,958,332	3,131,580	2,918,186	2,830,954	2,937,513
Intergovernmental charges	2,640,635	2,567,444	2,377,312	2,351,464	2,175,915	1,969,778	2,615,091	2,244,804	2,720,213	4,336,237
Charges for current services	4,800,892	4,748,265	4,524,215	4,893,693	5,428,681	6,612,934	7,230,096	7,102,055	6,803,023	8,021,444
Investment income	1,613,680	813,005	489,633	245,318	244,947	377,277	376,896	481,097	594,812	688,599
Other revenue	758,784	1,037,094	1,364,435	1,032,478	1,215,376	1,324,476	2,151,346	1,774,117	1,725,775	1,627,489
Total revenues	\$56,997,236	\$ 55,694,033	\$ 57,334,400	\$ 67,185,083	\$ 76,081,156	\$ 79,126,076	\$ 89,833,728	\$ 87,625,917	\$ 81,522,657	\$ 93,052,924
EXPENDITURES										
Current										
General administration	\$ 5,021,117	\$ 5,439,838	\$ 7,744,207	\$ 6,926,425	\$ 7,459,722	\$ 8,005,410	\$ 8,635,230	\$ 9,172,043	\$ 10,159,248	\$ 9,799,559
Judicial	9,454,647	10,230,743	11,048,000	11,427,052	11,680,071	12,892,667	14,723,240	15,830,047	16,865,773	16,494,966
Financial administration	2,001,282	2,108,277	2,130,738	2,185,159	2,389,323	2,701,314	2,931,640	3,196,337	3,287,777	3,165,349
Elections	586,315	392,544	456,938	396,294	525,992	497,847	557,381	487,880	560,854	567,462
Public safety and corrections	15,166,751	16,556,160	16,903,747	16,533,458	17,353,802	19,557,652	21,521,148	23,403,233	25,000,367	23,985,553
Health and welfare	1,431,383	846,705	801,852	688,733	771,465	959,450	2,493,446	1,248,439	1,171,988	1,179,744
Culture and recreation	2,325,765	2,374,571	2,115,396	2,051,510	2,331,975	3,902,323	3,276,870	4,411,971	3,926,223	4,005,542
Conservation and natural resources	213,994	186,067	233,535	220,514	219,145	171,080	126,123	135,311	152,177	136,680
Highways and roads	2,346,135	2,308,222	2,480,858	2,849,046	2,702,726	2,984,077	2,910,036	5,927,887	3,944,721	4,631,434
Capital outlay	9,955,488	12,651,896	18,047,307	13,941,374	7,862,296	12,276,795	32,139,266	24,737,607	13,596,000	8,940,480
Debt service	1,172,606	1,487,296	2,615,393	2,483,516	2,541,602	2,541,852	8,377,983	1,766,319	1,714,329	1,654,706
Total expenditures	\$49,675,483	\$ 54,582,319	\$ 64,577,971	\$ 59,703,081	\$ 55,838,119	\$ 66,490,467	\$ 97,692,363	\$ 90,317,074	\$ 80,379,457	\$ 74,561,475
OTHER FINANCING SOURCES (USES)										
Certificates of obligation issued	\$ -	\$ 21,995,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,625,000	\$ -
Reoffering premium	-	401,927	-	-	-	-	-	-	1,184,760	-
Capital lease proceeds	-	-	-	-	16,000	-	-	15,000	-	-
Payment to escrow	-	-	-	-	-	-	-	-	(15,844,041)	-
Proceeds from sale of assets and capital lease	-	-	-	-	-	2,747,452	212	79,706	57,092	-
Transfers in	12,842,482	10,147,679	6,856,515	2,218,670	15,509,861	25,355,367	28,889,140	17,644,858	16,575,711	11,882,274
Transfers (out)	(12,658,970)	(10,447,679)	(8,479,528)	(3,288,659)	(16,509,861)	(25,355,367)	(29,889,140)	(18,317,133)	(16,416,421)	(11,898,274)
Total other financing sources (uses)	\$ 183,512	\$ 22,096,927	\$ (1,623,013)	\$ (1,069,989)	\$ (984,000)	\$ 2,747,452	\$ (999,788)	\$ (577,569)	\$ 182,101	\$ (16,000)
NET CHANGE IN FUND BALANCES	\$ 7,505,265	\$ 23,208,641	\$ (8,866,584)	\$ 6,412,013	\$ 19,259,037	\$ 15,383,061	\$ (8,858,423)	\$ (3,268,726)	\$ 1,325,301	\$ 18,475,449
Debt service as a percent of non-capital expenditures	2.95%	3.55%	5.62%	5.43%	5.30%	4.69%	12.78%	2.69%	2.57%	2.52%

Source: Current and past years' financial statements

Midland County, Texas

Assessed Value of Taxable Property

Last Ten Fiscal Years

Table 5

Fiscal Year	Real Property	Personal Property	Total Assessed Value	Total Direct Tax Rate
2008	7,304,008,729	1,875,544,850	9,179,553,579	0.230505
2009	8,665,947,068	2,300,407,520	10,966,354,588	0.207455
2010	9,122,177,496	2,507,110,450	11,629,287,946	0.211805
2011	10,111,879,549	2,306,337,480	12,418,217,029	0.211805
2012	10,662,418,645	2,548,822,720	13,211,241,365	0.198207
2013	12,848,573,368	3,415,362,500	16,263,935,868	0.154789
2014	14,426,648,389	4,157,580,540	18,584,228,929	0.140178
2015	16,185,219,872	5,050,363,940	21,235,583,812	0.126523
2016	16,168,763,412	6,092,448,580	22,261,211,992	0.140811
2017	15,489,025,901	5,605,347,040	21,094,372,941	0.155992

Source: Midland County Appraisal District

Midland County, Texas

Direct and Overlapping Property Tax Rates

(Per \$100 of Assessed Value)

Last Ten Fiscal Years

Table 6

Midland County Texas					Overlapping Rates					
Fiscal Year	General	Road & Bridge	Debt Service	Total Funds	MISD	City of Midland	Hospital District	Midland College	Midland Utility District	Total all Entities
2007	0.2337	-	0.0150	0.2488	1.4575	0.5870	0.1571	0.2062	-	2.6566
2008	0.2177	-	0.0128	0.2305	1.1681	0.5386	0.1423	0.1911	-	2.2705
2009	0.1968	-	0.0107	0.2075	1.1651	0.4859	0.12020	0.17290	-	2.1516
2010	0.1882	-	0.0236	0.2118	1.1526	0.4568	0.1813	0.1719	-	2.1744
2011	0.0191	-	0.0205	0.2118	1.1451	0.4729	0.1663	0.1699	-	2.1659
2012	0.1788	-	0.0194	0.1982	1.1411	0.4705	0.1622	0.1679	-	2.1399
2013	0.1500	-	0.0048	0.1548	1.1401	0.4611	0.1397	0.1442	-	2.0398
2014	0.1306	-	0.0096	0.1402	1.1301	0.4319	0.1257	0.1332	0.0300	1.9910
2015	0.1181	-	0.0084	0.1265	1.1401	0.3939	0.1183	0.1244	0.0296	1.9328
2016	0.1328	-	0.0080	0.1408	1.1401	0.3805	0.1198	0.1259	0.0276	1.9347
2017	0.1533	-	0.0027	0.1560	1.1201	0.3997	0.1351	0.1371	0.0276	1.9479

Source: Midland County Budget

Midland County, Texas
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 7

2017			2008		
Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value	Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value
Pioneer Natural Res -WI-	\$ 1,149,678,050	5.41%	Pioneer Natural Resources	\$ 568,900,801	7.25%
Chevron USA Inc	482,807,350	2.27%	Chevron USA Inc	174,540,953	2.22%
Diamondback E&P LLC	385,420,750	1.81%	Endeavor Energy Resources LP	153,530,940	1.96%
XTO Energy Inc	301,005,280	1.42%	LCX Energy LLC	136,819,192	1.74%
Pioneer Natural Resources USA Inc	239,723,040	1.13%	BP America Production Company	77,701,554	0.99%
Endeavor Energy Resources LP	227,960,894	1.07%	Dawson Geophysical	66,965,679	0.85%
COG Operating LLC	205,752,080	0.97%	TXU Electric Delivery Cp	62,313,721	0.79%
Callon Petroleum Oper Co	195,904,700	0.92%	Henry Petroleum LP	56,593,206	0.72%
RSP Permian LLC	190,804,967	0.90%	Southwestern Bell Telephone	45,809,987	0.58%
Fasken Oil & Ranch LTD	168,128,230	0.79%	Mobil Production TX & NM - DEV/GAS	43,727,445	0.56%
Total	\$ 3,547,185,341	16.70%	Total	\$ 1,386,903,478	17.67%

Source: Midland County Tax Office

Midland County, Texas

Property Tax Levies and Collections

Fiscal Years Ended September 30, 2008 through 2017

Table 8

Fiscal Year End	Assessed Value	Tax Rate	Tax Levy	Collections				Uncollected	
				October- December	Percent of Levy	January- June	Percent of Levy	June 30th of Next Year	Percent of Levy
2008	9,179,553,579	\$ 0.230505	21,159,330	9,016,684	42.61%	11,345,243	53.62%	797,403	3.77%
2009	10,966,354,588	\$ 0.207455	22,750,251	6,714,509	29.51%	15,200,289	66.81%	835,452	3.67%
2010	11,629,287,946	\$ 0.211805	24,631,413	11,015,095	44.72%	12,861,320	52.22%	754,999	3.07%
2011	12,418,217,029	\$ 0.211805	26,302,405	8,741,757	33.24%	16,946,242	64.43%	614,406	2.34%
2012	13,037,340,605	\$ 0.198207	25,840,922	10,751,424	41.61%	14,899,445	57.66%	190,053	0.74%
2013	16,263,935,868	\$ 0.154789	25,174,784	10,984,748	43.63%	13,753,880	54.63%	436,156	1.73%
2014	18,584,228,929	\$ 0.140178	25,750,185	11,628,235	45.16%	13,889,491	53.94%	232,459	0.90%
2015	21,235,583,812	\$ 0.126523	26,593,450	6,409,613	24.10%	19,757,504	74.29%	426,333	1.60%
2016	22,261,211,992	\$ 0.140811	31,346,210	11,607,488	37.03%	19,160,694	61.13%	578,028	1.84%
2017	21,094,372,941	\$ 0.155992	32,905,534	13,300,934	40.42%	18,669,273	56.74%	935,327	2.84%

Source: Midland County Tax Office

Midland County, Texas
 Ratios of Outstanding Debt
 Last Ten Fiscal Years

Table 9

<u>Fiscal Year</u>	<u>Certificates of Obligation</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
2008	9,755,000	9,755,000	0.12%	75.65
2009	31,020,000	31,020,000	0.26%	234.11
2010	30,255,000	30,255,000	0.37%	222.07
2011	29,065,000	29,065,000	0.30%	212.17
2012	27,805,000	27,805,000	0.21%	198.41
2013	26,495,000	26,495,000	0.16%	180.01
2014	19,055,000	19,055,000	0.11%	125.31
2015	18,140,000	18,140,000	0.10%	116.29
2016	17,665,000	17,665,000	0.10%	109.67
2017	16,620,000	16,620,000	0.10%	99.689

Sources: Current and past years' financial statements
 See Table 13 for personal income and population data.

Midland County, Texas

Ratio of Net Bonded Debt to Assessed Value
and Net Bonded Debt per Capita
Last Ten Fiscal Years

Table 10

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Debt Service Designated Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
2008	126,408	9,179,553,579	9,025,000	334,703	8,690,297	0.095	68.75
2009	129,494	10,966,354,588	31,020,000	346,823	30,673,177	0.280	236.87
2010	129,715	11,629,287,946	30,255,000	484,636	29,770,364	0.256	229.51
2011	131,349	12,418,217,029	29,065,000	562,468	28,502,532	0.230	217.00
2012	140,308	13,211,241,365	27,805,000	633,300	27,171,700	0.206	193.66
2013	146,645	16,263,935,868	26,495,000	6,934,835	19,560,165	0.120	133.38
2014	151,468	18,584,228,929	19,055,000	360,420	18,694,580	0.101	123.42
2015	155,830	21,235,583,812	18,140,000	399,900	17,740,100	0.084	113.84
2016	161,077	22,261,211,992	17,665,000	1,087,402	16,577,598	0.074	102.92
2017	166,718	21,094,372,941	16,620,000	29,320	16,590,680	0.079	99.51

Source: US Census Bureau, Current and past years' financial statements. Each year is calculated based on prior year census.

Note: Funds were transferred into the 2004 Certificate of Obligation in order to pay off the balance on the bond. Due to timing of the invoice, the bond was paid in full in FY 2014.

Midland County, Texas

Direct and Overlapping Governmental Activities Debt

As of September 30, 2017

Table 11

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid with Property Taxes			
City of Midland	\$ 128,220,000	100%	\$ 128,220,000
Midland Independent School District	213,784,756	100%	213,784,756
Midland Community College	34,819,760	100%	34,819,760
Midland County Hospital District	98,380,000	100%	98,380,000
Greenwood Independent School District	58,165,000	100%	58,165,000
City of Odessa	70,698,131	8%	5,750,566
Subtotal, overlapping debt			539,120,082
Midland County (direct debt)			16,620,000
Total direct and overlapping debt			555,740,082

Sources: Financial statements of the various governmental agencies.

Note: Overlapping governments are those that coincide, at least partly, with the geographic boundaries of the county. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Midland County. This process recognizes that when considering the county's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the

Midland County, Texas
Debt Limitations
Last Ten Fiscal Years

Table 12

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 1,826,002,182	\$ 2,166,486,767	\$ 2,280,544,374	\$ 2,527,969,887	\$ 2,665,604,661	\$ 3,212,143,342	\$ 3,606,662,097	\$ 4,046,304,968	\$ 4,042,190,853	\$ 3,872,256,475
Total net debt applicable to limit	<u>8,690,297</u>	<u>30,673,176</u>	<u>29,770,364</u>	<u>28,502,532</u>	<u>27,171,700</u>	<u>19,560,165</u>	<u>18,694,580</u>	<u>17,740,100</u>	<u>16,577,598</u>	<u>16,590,680</u>
Debt margin	<u>\$ 1,817,311,885</u>	<u>\$ 2,135,813,591</u>	<u>\$ 2,250,774,010</u>	<u>\$ 2,499,467,355</u>	<u>\$ 2,638,432,961</u>	<u>\$ 3,192,583,177</u>	<u>\$ 3,587,967,517</u>	<u>\$ 4,028,564,868</u>	<u>\$ 4,025,613,255</u>	<u>\$ 3,855,665,795</u>
Total net debt applicable to the limit as a percentage of debt limit	0.48%	1.44%	1.32%	1.14%	1.03%	0.61%	0.52%	0.44%	0.41%	0.43%
Debt Margin Calculation for Fiscal Year 2010										
Assessed Value of Real Property	\$ 15,489,025,901									
Assessed Value of Personal & Other Property	<u>5,605,347,040</u>									
Total Assessed Value	<u>\$ 21,094,372,941</u>									
Debt Limit, 25% of Real Property Assessed Value (1)	\$ 3,872,256,475									
Amount of Debt Applicable to Debt Limit:										
Total Bonded Debt	16,620,000									
Less: Assets in Debt Service Funds Available for Payment of Principal	29,320									
Total Amount of Debt Applicable to Debt Limit	<u>16,590,680</u>									
Legal Debt Margin	<u>\$ 3,855,665,795</u>									

Source: Current and past years' financial statements

Note 1: Limit is set by provisions under Article III,
Section 52 of the Texas State Constitution

Midland County, TexasDemographic and Economic Statistics
Last Ten Fiscal Years**Table 13**

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate Percentage
2008	128,954	8,066,806	62,556	2.2
2009	132,502	11,806,924	89,108	5.4
2010	136,238	8,209,767	60,260	5
2011	136,990	9,798,045	71,524	4.9
2012	140,139	13,549,464	96,686	3.4
2013	147,185	16,174,537	109,893	3.1
2014	152,057	17,254,309	113,473	2.6
2015	155,990	18,876,831	121,013	3.3
2016	161,077	17,168,895	106,588	3.8
2017	166,718	17,148,261	105,486	2.5

Sources:

Population figures for 2017 are an estimate provided by the US Census Bureau, Personal Income and Per Capita Personal Income are from the US Bureau of Economic Analysis, and Texas Workforce Commission provided data on Unemployment Rates. Information is based on previous year information from fiscal year stated.

<http://www.bea.gov>

Midland County, Texas

Full-Time Equivalent County Government
 Employees by Function/Program
 Last Five Fiscal Years

Table 14

Function / Program	Fiscal Year				
	2013	2014	2015	2016	2017
General administration	144.5	151.5	148	28	29
Judicial	39	40.5	50	145	146
Financial administration	29.5	29	29.5	44	42
Elections	5.5	5	5.5	5	5
Public safety and corrections	318	259	273.5	276	281
Health and welfare	2	4	3	3	3
Culture and recreation	40.5	43.5	45.5	34	36
Conservation and natural resources	2	4	3	1	1
Highways and roads	28	26	30	31	32
Total	609	562.5	588	567	575

Source: Midland County Treasurers Office

Midland County, Texas
 Operation Indications Information
 Last Five Fiscal Years

Table 15

FUNCTION / PROGRAM	Fiscal Year				
	2013	2014	2015	2016	2017
GENERAL GOVERNMENT					
Commissioners Court					
Number of Official Public Meetings	24	25	22	22	24
Regular Sessions	5	10	10	5	5
Special Sessions (Work Sessions)					
PUBLIC SAFETY	11,140	10,974	10,755	14,845	11,549
Inmates Booked	12,646	12,943	12,098	13,247	13,214
Arrests					
JUDICIAL					
District Courts	1,053	1,617	2,565	1,468	1,681
Civil Cases Filed	1,107	2,097	1,227	1,353	1,284
Civil Cases Disposed	1,673	1,771	1,944	2,114	2,223
Criminal Cases Filed	2,117	1,104	2,202	2,567	2,715
Criminal Cases Disposed					
County Courts-at-Law	919	1,166	913	1,104	1,143
Civil Cases Filed	633	762	700	783	992
Civil Cases Disposed	4,373	4,457	4,034	3,978	4,536
Criminal Cases Filed	5,658	4,755	4,085	4,020	4,341
Criminal Cases Disposed	132	100	133	94	108
Juvenile Cases Filed	105	120	143	62	71
Juvenile Cases Disposed	486	503	593	600	616
Probate and Mental Health Cases Filed	13	59	91	147	156
Probate and Mental Health Cases Disposed					
Justice of the Peace Courts	923	669	1,394	1,652	2,257
Civil Cases Filed	853	605	1,040	1,320	1,545
Civil Cases Disposed	14,898	10,449	17,104	9,974	14,206
Criminal Cases Filed	14,766	10,021	14,032	13,488	12,197
Criminal Cases Disposed	1,470	131	441	445	379
Juvenile Cases Filed					
CULTURE AND RECREATION	164	153	187	166	174
Events Held					
ELECTIONS	73,093	72,059	75,472	76,808	80,329
Number of Registered Voters					
HIGHWAYS					
Permits Granted	174	180	215	212	271
Work Requests	74	121	189	93	159

Sources: Office of Court Administration and various county departments

Midland County, Texas

Capital Assets Information By Function/Program
Last Five Fiscal Years

Table 16

FUNCTION / PROGRAM	Fiscal Years				
	2013	2014	2015	2016	2017
BUILDINGS					
General admin	1	1	1	2	2
Judicial	4	4	4	2	2
Public safety	5	5	5	9	9
Highways	1	1	1	1	1
Culture and recreation	7	7	8	7	7
Health & Welfare	1	1	1	1	1
PATROL CARS	29	29	33	32	32
ELECTIONS					
Electronic voting machines	270	270	270	272	272
HIGHWAYS					
Miles of roads maintained	363.87	383	383	409.9	356

Source: Various county departments.

Internal Control and Compliance

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

To Honorable County Judge and
Commissioners Court of Midland County
Midland County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Midland County, Texas (the County), as of and for the fiscal year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 5, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

To Honorable County Judge and
Commissioners Court of Midland County

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
June 5, 2018



Independent Auditor's Report on Compliance for the Major State Program and Report on Internal Control over Compliance in Accordance with Uniform Guidance

To Honorable County Judge and
Commissioners Court of Midland County
Midland County, Texas

Report on Compliance for the Major State Program

We have audited Midland County, Texas (the County) compliance with the types of compliance requirements described in the *State of Texas Uniform Grant Management Standards (UGMS)* that could have a direct and material effect on the County's major state program for the fiscal year ended September 30, 2017. The County's major state program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's major state program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Texas Uniform Grant Management Standards (UGMS)* issued by the Governor's Office. Those standards and UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major state program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major State Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state program for the fiscal year ended September 30, 2017.

To Honorable County Judge and
Commissioners Court of Midland County

Report on Internal Control over Compliance

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

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

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

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
June 5, 2018

Midland County, Texas

Schedule of Expenditures of State Awards
For the Fiscal Year Ended September 30, 2017

State Grantor/Pass-through Grantor Program Title	CFDA Number	Grant Contract Number	Grant Expenditures
State Grant Expenditures			
<u>Crime Victim Services</u>			
FY 2015-2016 Victim Coordinator and Liaison Grant (VCLG)	N/A	1772490	\$ 35,116
FY 2016-2017 Victim Coordinator and Liaison Grant (VCLG)	N/A	1881432	3,413
FY 2015-2016 Victim Coordinator and Liaison Grant (VCLG)	N/A	1772482	34,572
FY 2016-2017 Victim Coordinator and Liaison Grant (VCLG)	N/A	1881333	3,850
Total Crime Victim Services			76,951
<u>Office of the Attorney General</u>			
FY 2016 Texas VINE Annual Maintenance Grant (VINE)	N/A	1771419	21,785
Total Office of the Attorney General			21,785
<u>Office of Court Administration</u>			
Presiding Judges Assistance Project	N/A	16-028	17,299
Indigent Defense FY2017 Formula Grant	N/A	121-16-165	160,776
Total Office of Court Administration			178,075
<u>Texas Department of Criminal Justice</u>			
Mental Health Services Provider Agreement	NA	NA	70,000
Total Texas Department of Criminal Justice			70,000
<u>Texas Department of Transportation</u>			
County Transportation Infrastructure Fund Grant Program	NA	CTIF-01-165	2,080,394
Total Texas Department of Criminal Justice			2,080,394
<u>Texas State Library and Archives Commission</u>			
Vicki McMillian Community Art	NA	76017	1,350
Le Theatre de Marionette	NA	76018	347
Hideout Theatre Collaboration	NA	76019	1,125
The Ensemble Threater	NA	76020	2,400
Lucas Miller-Musician	NA	76021	650
Total Texas State Library and Archives Commission			5,872
<u>Office of the Governor</u>			
Wraparound Project	NA	3115601	59,576
Total Office of the Governor			59,576
Total State Grant Expenditures			\$ 2,492,653

Midland County, Texas

Notes to Schedule of Expenditures of State Awards
For the Fiscal Year Ended September 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of state awards includes the state grant activity of the County under programs of the State of Texas for fiscal year ended September 30, 2017.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in UGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement. See Note 1 of the notes to the financial statements for the County's significant accounting policies. The County has elected to use the 10% de minimis indirect cost rates as allowed under the *Uniform Guidance*.

Midland County, Texas

Schedule of Findings and Questioned Costs
For the Fiscal Year Ended September 30, 2017

I. Summary of the Auditor's Results:

Financial Statements

- a. An unmodified opinion was issued on the financial statements.
- b. Internal control over financial reporting:
 - Material weakness(es) identified? Yes No
 - Significant deficiency(s) identified? Yes None reported
- c. Noncompliance material to financial statements noted? Yes No

State Awards

- d. Internal control over major program
 - Material weakness(es) identified? Yes No
 - Significant deficiency(s) identified? Yes None reported
- e. An unmodified opinion was issued on compliance for major program
- f. Any audit findings disclosed that were required to be reported in accordance with UGMS. Yes No
- g. Identification of major program:

County Transportation Infrastructure Fund Grant
- h. The dollar threshold used to distinguish between Type A and Type B programs \$300,000
- i. Auditee qualified as a low-risk auditee. Yes No

Midland County, Texas

Schedule of Findings and Questioned Costs – Continued
For the Fiscal Year Ended September 30, 2017

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

None

III. Findings and Questioned Costs for State Awards:

None

Midland County, Texas

Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended September 30, 2017

None

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