

Midland County, Texas

Annual Financial Report

For the Fiscal Year Ended September 30, 2016

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

Midland County, Texas
 Annual Financial Report
 For the Fiscal Year Ended September 30, 2016
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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 year ended September 30, 2016 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, 2016 and the respective changes in financial position and, where applicable, cash flows thereof for the 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

Emphasis of Matter

Change in Accounting Principle

As discussed in Notes 7 and 15 to the Basic Financial Statements, Midland County, Texas elected to change its method of accounting to conform with accounting principles generally accepted in the United States of America for postemployment benefits required by Governmental Accounting Standards Board (GASB) No. 45, Accounting and Financial Reporting by Employees for Postemployment of Benefits Other than Pensions. Beginning net position has been restated to reflect the change in accounting principle resulting from conforming with this statement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 Honorable County Judge and
Commissioners Court of Midland County
Midland County, Texas

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2017, 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 21, 2017

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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, 2016. 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 \$200,274,539 (net position). Of this amount, \$55,310,892 (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 \$2,682,465.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of \$91,042,262. Of this total amount, \$47,527,486 or 52% 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 \$47,527,486 or 72% 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 74 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 \$200,274,539 at the close of this fiscal year.

Statement of Net Position Governmental Activities

| | 2016 | 2015 |
|---|-----------------------|-----------------------|
| Current and other assets | \$ 108,784,504 | \$ 108,152,375 |
| Capital assets, net of accumulated depreciation | 146,187,181 | 143,093,947 |
| Total assets | 254,971,685 | 251,246,322 |
| Total deferred outflows of resources | 14,946,008 | 4,304,903 |
| Current and other liabilities | 5,411,303 | 3,644,848 |
| Noncurrent liabilities | 63,158,006 | 54,009,510 |
| Total liabilities | 68,569,309 | 57,654,358 |
| Total deferred inflows of resources | 1,073,845 | 304,793 |
| Net position: | | |
| Net investment in capital assets | 128,759,583 | 125,347,288 |
| Restricted, legislation and grants | 15,158,274 | 5,865,597 |
| Restricted, debt service | 1,045,790 | 325,989 |
| Unrestricted net position | 55,310,892 | 66,053,200 |
| Total net position | \$ 200,274,539 | \$ 197,592,074 |

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, 64% 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 \$2,682,465. The following table provides a summary of the County's operations for years ended September 30, 2016 and 2015.

Statement of Activities
Years Ended September 30, 2016 and 2015

| | 2016 | | 2015 | |
|---|----------------------------|------------------------|----------------------------|------------------------|
| | Governmental Activities | Percentage of Total | Governmental Activities | Percentage of Total |
| Revenues | | | | |
| Program revenues | | | | |
| Charges for services | \$ 8,795,655 | 11.2% | \$ 12,297,108 | 13.9% |
| Operating grants and contributions | 2,123,179 | 2.7% | 2,229,127 | 2.5% |
| General revenues | | | | |
| Property taxes | 31,691,056 | 40.2% | 27,077,403 | 30.6% |
| Sales tax | 30,790,248 | 39.1% | 41,183,068 | 46.5% |
| Bingo tax | 106,714 | 0.1% | 120,486 | 0.1% |
| Mixed beverage tax | 751,591 | 1.0% | 799,928 | 0.9% |
| Hotel-motel tax | 695,480 | 0.9% | 1,081,530 | 1.2% |
| Motor vehicle sales and use tax | 1,811,134 | 2.3% | 2,356,340 | 2.7% |
| Unrestricted investment earnings | 628,335 | 0.8% | 488,116 | 0.6% |
| Miscellaneous | 1,363,020 | 1.7% | 957,408 | 1.1% |
| Total revenues | 78,756,412 | 100.0% | 88,590,514 | 100.0% |
| Expenses | | | | |
| General administration | 11,915,192 | 15.7% | 11,805,385 | 16.4% |
| Judicial | 17,129,275 | 22.5% | 15,660,986 | 21.8% |
| Financial administration | 3,345,084 | 4.4% | 3,213,036 | 4.5% |
| Elections | 560,889 | 0.7% | 487,880 | 0.7% |
| Public safety and corrections | 27,079,545 | 35.6% | 24,518,270 | 34.1% |
| Health and welfare | 1,188,446 | 1.6% | 1,257,712 | 1.8% |
| Cultural and recreation | 6,050,548 | 8.0% | 5,258,833 | 7.3% |
| Conservation and natural resources | 163,249 | 0.2% | 2,519,168 | 3.5% |
| Highways and roads | 7,891,750 | 10.4% | 6,290,771 | 8.8% |
| Interest on long-term debt | 749,969 | 1.0% | 831,023 | 1.2% |
| Total expenses | 76,073,947 | 100.0% | 71,843,064 | 100.0% |
| Change in net position | 2,682,465 | | 16,747,450 | |
| Net position - beginning of year | 219,191,447 | | 210,858,474 | |
| Change in accounting principle | (21,599,373) | | (30,013,850) | |
| Net position - beginning of year, as restated | 197,592,074 | | 180,844,624 | |
| Net position, end of year | \$ 200,274,539 | | \$ 197,592,074 | |

Governmental Activities. Net position of the governmental activities increased \$2,682,465 during the year. In General Revenues, sales tax decreased by \$10,392,820 or 25% due to a decrease in consumer spending in the County. Charges for services decreased \$3,501,453 or 28% due to less collections for fines and forfeitures. Property tax revenues increased \$4,613,653 or 17% due to a higher tax rate and appraised values.

Total expenses increased from the prior year by \$4,230,883, or 6% 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 \$91,042,262. The unassigned fund balance, \$47,527,486, 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 \$47,527,486 as compared to \$33,600,772 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 78% of total fund expenditures, while total fund balance represents 109% of total fund expenditures.

The road and bridge fund reflects a fund balance of \$10,339,511 which represents a increase of \$3,579,801 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 \$1,087,402 as compared to \$399,900 in the prior year. The increase of \$687,502 is due to transfers from the general fund to provide funding for debt issuance costs. 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 \$7,874,657 a decrease of \$216,853. The decrease resulted from the expenditure of capital outlay.

General Fund Budgetary Highlights

A deficit amended budget was approved for fiscal year 2016 in the amount of \$13,379,677 as compared to the original budget which planned for a deficit of \$11,957,729. The deficit was to be appropriated from the unassigned fund balance. However, actual revenues exceeded the final budget by \$4,864,262. Included in this amount are \$1,333,532 in property taxes and an increase in charges for services of \$1,291,461.

The original budgeted expenditures differ from the final budgeted expenditures by an increase of \$1,406,135 which is attributable to amendments to increase payroll for additional personnel for public safety and corrections. The favorable variance of \$4,641,865 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, 2015, the County had a total long-term debt outstanding in the amount of \$21,600,385. According to the Texas statutes, the County has a debt margin of \$4,025,613,255.

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 2016:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Governmental activities: | | | | |
| General obligation bonds | \$ 18,140,000 | \$ 14,625,000 | \$ 15,100,000 | \$ 17,665,000 |
| Unamortized premium on general obligation bonds | 261,254 | 1,184,760 | 203,934 | 1,242,080 |
| Capital lease obligation | 8,125 | - | 7,500 | 625 |
| Compensated absences | 2,680,795 | 2,686,738 | 2,674,853 | 2,692,680 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | <u>\$ 21,090,174</u> | <u>\$ 18,496,498</u> | <u>\$ 17,986,287</u> | <u>\$ 21,600,385</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, 2016, net capital assets of the governmental activities totaled \$146,187,181 reflecting a net increase of \$3,093,234 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 \$9,195,395.

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 2017 budget was adopted on September 26, 2016 with total general fund expenditures of \$65,082,613, a 0% decrease from the fiscal year 2016 budgeted expenditures. The County's combined tax rate is \$0.155992 for fiscal year 2017. The Commissioners' Court adopted a budgeted excess of \$1,731,515 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, 2016

| | <u>Primary Government</u> |
|---|------------------------------------|
| | <u>Governmental Activities</u> |
| ASSETS | |
| Cash and cash equivalents | \$ 10,757,248 |
| Certificates of deposit | 20,704,033 |
| Investments | 64,318,755 |
| Receivables (net of allowance for uncollectibles) | 5,271,674 |
| Inventory | 1,218,621 |
| Other assets | 63,213 |
| Due from other governments | 6,450,960 |
| Capital assets (net of accumulated depreciation): | |
| Land | 2,734,367 |
| Buildings and improvements | 96,594,180 |
| Construction in progress | 803,565 |
| Infrastructure | 34,400,049 |
| Machinery and equipment | 11,655,020 |
| Total assets | <u>254,971,685</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows from refunding of debt | 1,480,107 |
| Deferred outflows related to pension | 13,465,901 |
| Total deferred outflows of resources | <u>14,946,008</u> |
| LIABILITIES | |
| Accounts payable and other current liabilities | 4,752,190 |
| Accrued interest payable | 78,352 |
| Due to other governments | 467,692 |
| Unearned revenue | 113,069 |
| Noncurrent liabilities | |
| Net pension liability | 15,653,889 |
| OPEB liability | 25,903,732 |
| Due within one year | 3,603,671 |
| Due in more than one year | 17,996,714 |
| Total liabilities | <u>68,569,309</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred inflows related to pension | 1,073,845 |
| Total deferred inflows of resources | <u>1,073,845</u> |
| NET POSITION | |
| Net investment in capital assets | 128,759,583 |
| Restricted, legislation and grants | 15,158,274 |
| Restricted, debt service | 1,045,790 |
| Unrestricted | 55,310,892 |
| TOTAL NET POSITION | <u><u>\$ 200,274,539</u></u> |

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, 2016

| <u>Functions / Programs</u> | <u>Expenses</u> |
|------------------------------------|-----------------------------|
| Primary Government | |
| Governmental activities: | |
| General administration | \$ 11,915,192 |
| Judicial | 17,129,275 |
| Financial administration | 3,345,084 |
| Elections | 560,889 |
| Public safety and corrections | 27,079,545 |
| Health and welfare | 1,188,446 |
| Culture and recreation | 6,050,548 |
| Conservation and natural resources | 163,249 |
| Highways and roads | 7,891,750 |
| Interest on long-term debt | 749,969 |
| Total governmental activities | <u>76,073,947</u> |
| TOTAL PRIMARY GOVERNMENT | <u><u>\$ 76,073,947</u></u> |

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 |
| \$ 1,119,566 | \$ 682,411 | \$ | (10,113,215) |
| 3,803,762 | 1,114,215 | | (12,211,298) |
| - | - | | (3,345,084) |
| 40 | 59,620 | | (501,229) |
| 1,740,928 | 223,428 | | (25,115,189) |
| 32,000 | - | | (1,156,446) |
| 19,996 | 18,539 | | (6,012,013) |
| - | - | | (163,249) |
| 2,079,363 | 24,966 | | (5,787,421) |
| - | - | | (749,969) |
| <u>8,795,655</u> | <u>2,123,179</u> | | <u>(65,155,113)</u> |
| <u>\$ 8,795,655</u> | <u>\$ 2,123,179</u> | | <u>(65,155,113)</u> |
| General revenues: | | | |
| Property taxes | | | 31,691,056 |
| Sales tax | | | 30,790,248 |
| Bingo tax | | | 106,714 |
| Mixed beverage tax | | | 751,591 |
| Hotel-motel tax | | | 695,480 |
| Motor vehicle sales and use tax | | | 1,811,134 |
| Unrestricted investment earnings | | | 628,335 |
| Loss on sale of capital assets | | | - |
| Miscellaneous | | | 1,363,020 |
| Total general revenues | | | <u>67,837,578</u> |
| Change in net position | | | 2,682,465 |
| Net position - beginning of year, as previously reported | | | 219,191,447 |
| Prior period adjustment - change in accounting principle | | | (21,599,373) |
| Net position - beginning of year | | | <u>197,592,074</u> |
| NET POSITION - END OF YEAR | | \$ | <u><u>200,274,539</u></u> |

Midland County, Texas
 Balance Sheet – Governmental Funds
 September 30, 2016

| | General Fund | Road and Bridge Fund |
|--|----------------------|----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 9,826,181 | \$ 1,658 |
| Certificates of deposit | 20,704,033 | - |
| Investments | 46,422,692 | 219 |
| Property taxes receivable, (net of allowance for uncollectibles) | 754,132 | - |
| Accounts receivable, (net of allowance for uncollectibles) | 4,390,183 | 25 |
| Due from other funds | 622,649 | 8,965,487 |
| Due from other governmental agencies | 5,179,177 | 295,824 |
| Inventory | - | 1,218,621 |
| Prepaid expenses | 36,551 | - |
| TOTAL ASSETS | \$ 87,935,598 | \$ 10,481,834 |
| LIABILITIES | | |
| Accounts payable | \$ 2,551,964 | \$ 101,311 |
| Benefits payable | 845,975 | 41,012 |
| Due to other funds | 13,060,845 | - |
| Due to other governmental agencies | 467,692 | - |
| Unearned revenue | 113,069 | - |
| Other liabilities | 11,210 | - |
| Total liabilities | 17,050,755 | 142,323 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred tax revenue | 683,739 | - |
| Other deferred inflows | 4,248,907 | - |
| Total deferred inflows | 4,932,646 | - |
| FUND BALANCES | | |
| Nonspendable | | |
| Prepays | 36,551 | - |
| Inventories | - | 1,218,621 |
| Restricted | | |
| Road improvements | - | 9,120,890 |
| Debt service | - | - |
| Hotel occupancy revenue | 695,480 | - |
| Legislation | - | - |
| Federal and state grants | - | - |
| Committed | | |
| Capital projects | - | - |
| Employee motivation | - | - |
| Donations | - | - |
| Assigned | | |
| Compensated absences | 2,692,680 | - |
| Capital projects | 15,000,000 | - |
| Unassigned | 47,527,486 | - |
| Total fund balances | 65,952,197 | 10,339,511 |
| TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES | \$ 87,935,598 | \$ 10,481,834 |

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 |
|-------------------------|-----------------------------|-----------------------------------|--------------------------------|
| \$ 606,016 | \$ 19,136 | \$ 303,127 | \$ 10,756,118 |
| - | - | - | 20,704,033 |
| 475,224 | 5,440,839 | 3,824,871 | 56,163,845 |
| 40,981 | - | - | 795,113 |
| 14,883 | - | 20,946 | 4,426,037 |
| 1,920 | 2,428,922 | 1,749,106 | 13,768,084 |
| - | - | 626,884 | 6,101,885 |
| - | - | - | 1,218,621 |
| - | - | - | 36,551 |
| <u>\$ 1,139,024</u> | <u>\$ 7,888,897</u> | <u>\$ 6,524,934</u> | <u>\$ 113,970,287</u> |
| \$ - | \$ 14,233 | \$ 145,743 | \$ 2,813,251 |
| - | 7 | 27,333 | 914,327 |
| 14,882 | - | 563,239 | 13,638,966 |
| - | - | - | 467,692 |
| - | - | - | 113,069 |
| - | - | - | 11,210 |
| <u>14,882</u> | <u>14,240</u> | <u>736,315</u> | <u>17,958,515</u> |
| 36,740 | - | - | 720,479 |
| - | - | 124 | 4,249,031 |
| <u>36,740</u> | <u>-</u> | <u>124</u> | <u>4,969,510</u> |
| - | - | - | 36,551 |
| - | - | - | 1,218,621 |
| - | - | - | 9,120,890 |
| 1,087,402 | - | - | 1,087,402 |
| - | - | - | 695,480 |
| - | - | 5,140,322 | 5,140,322 |
| - | - | 201,582 | 201,582 |
| - | 7,874,657 | - | 7,874,657 |
| - | - | 15,929 | 15,929 |
| - | - | 430,662 | 430,662 |
| - | - | - | 2,692,680 |
| - | - | - | 15,000,000 |
| - | - | - | 47,527,486 |
| <u>1,087,402</u> | <u>7,874,657</u> | <u>5,788,495</u> | <u>91,042,262</u> |
| <u>\$ 1,139,024</u> | <u>\$ 7,888,897</u> | <u>\$ 6,524,934</u> | <u>\$ 113,970,287</u> |

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Midland County, Texas

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position September 30, 2016

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (PAGE 21) \$ 91,042,262

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. 146,187,181

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. 4,969,510

Internal service funds are used by management to account for the self-insurance fund of the government. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. 7,439,781

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds. (21,600,385)

Interest is accrued on bonds payable in the government-wide financial statements whereas in the fund financial statements interest expenditures are reported when due. (78,352)

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. 14,946,008

Deferred inflows of resources for pension related liabilities are recognized in the government-wide statements but are not recorded in the fund financial statements. (1,073,845)

OPEB liability not reported in the fund financial statements. (25,903,732)

(15,653,889)

NET POSITION OF GOVERNMENTAL ACTIVITIES (PAGE 17) \$ 200,274,539

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

Midland County, Texas
Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended September 30, 2016

| | <u>General Fund</u> | <u>Road and Bridge Fund</u> |
|---|-----------------------------|-------------------------------------|
| REVENUES | | |
| Property tax, penalties and interest | \$ 29,783,532 | \$ - |
| Sales tax | 30,790,248 | - |
| Hotel-motel tax | 695,480 | - |
| Fines and forfeitures | 3,517,726 | - |
| Licenses and permits | 751,591 | 2,079,363 |
| Intergovernmental charges | 879,737 | 24,966 |
| Charges for current services | 5,277,861 | - |
| Investment income | 537,306 | 16,030 |
| Other revenue | 1,193,031 | 323,641 |
| | <u>73,426,512</u> | <u>2,444,000</u> |
| EXPENDITURES | | |
| Current: | | |
| General administration | 10,127,511 | - |
| Judicial | 15,990,604 | - |
| Financial administration | 3,283,809 | - |
| Elections | 505,039 | - |
| Public safety and corrections | 23,488,458 | - |
| Health and welfare | 712,316 | - |
| Culture and recreation | 3,926,150 | - |
| Conservation and natural resources | 152,177 | - |
| Highways and roads | - | 3,872,487 |
| Capital outlay | 2,392,185 | 8,222,129 |
| Debt service | - | - |
| | <u>60,578,249</u> | <u>12,094,616</u> |
| Excess (deficiency) of revenues over expenditures | 12,848,263 | (9,650,616) |
| OTHER FINANCING SOURCES (USES) | | |
| Proceeds from sale of assets and capital lease | 57,092 | - |
| Bond Proceeds | - | - |
| Premium | - | - |
| Payment to Escrow | - | - |
| Transfers in | 52,108 | 13,230,417 |
| Transfers out | (16,358,187) | - |
| | <u>(16,248,987)</u> | <u>13,230,417</u> |
| Net change in fund balances | (3,400,724) | 3,579,801 |
| Fund balances - beginning of year | 69,352,921 | 6,759,710 |
| FUND BALANCES, end of year | <u><u>\$ 65,952,197</u></u> | <u><u>\$ 10,339,511</u></u> |

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

| Debt Service Fund | Capital Projects Fund | Non Major Governmental Funds | Total Governmental Funds |
|----------------------|--------------------------|------------------------------------|--------------------------------|
| \$ 1,797,029 | \$ - | \$ - | \$ 31,580,561 |
| - | - | - | 30,790,248 |
| - | - | - | 695,480 |
| - | - | 263,865 | 3,781,591 |
| - | - | - | 2,830,954 |
| - | - | 1,815,510 | 2,720,213 |
| - | - | 1,525,162 | 6,803,023 |
| 1,578 | 22,341 | 17,557 | 594,812 |
| - | - | 209,103 | 1,725,775 |
| <u>1,798,607</u> | <u>22,341</u> | <u>3,831,197</u> | <u>81,522,657</u> |
| - | - | 31,737 | 10,159,248 |
| - | - | 875,169 | 16,865,773 |
| - | - | 3,968 | 3,287,777 |
| - | - | 55,815 | 560,854 |
| - | - | 1,511,909 | 25,000,367 |
| - | - | 459,672 | 1,171,988 |
| - | - | 73 | 3,926,223 |
| - | - | - | 152,177 |
| - | 72,234 | - | 3,944,721 |
| - | 2,201,960 | 779,726 | 13,596,000 |
| <u>1,714,329</u> | <u>-</u> | <u>-</u> | <u>1,714,329</u> |
| <u>1,714,329</u> | <u>2,274,194</u> | <u>3,718,069</u> | <u>80,379,457</u> |
| 84,278 | (2,251,853) | 113,128 | 1,143,200 |
| - | - | - | 57,092 |
| 14,625,000 | - | - | 14,625,000 |
| 1,184,760 | - | - | 1,184,760 |
| (15,844,041) | - | - | (15,844,041) |
| 672,505 | 2,035,000 | 585,681 | 16,575,711 |
| (35,000) | - | (23,234) | (16,416,421) |
| <u>603,224</u> | <u>2,035,000</u> | <u>562,447</u> | <u>182,101</u> |
| 687,502 | (216,853) | 675,575 | 1,325,301 |
| <u>399,900</u> | <u>8,091,510</u> | <u>5,112,920</u> | <u>89,716,961</u> |
| <u>\$ 1,087,402</u> | <u>\$ 7,874,657</u> | <u>\$ 5,788,495</u> | <u>\$ 91,042,262</u> |

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, 2016

NET CHANGE IN FUND BALANCES-TOTAL GOVERNMENTAL FUNDS (PAGE 25) \$ 1,325,301

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. 4,406,877

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. (1,154,353)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. (2,865,417)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 1,006,141

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. (258,224)

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. 222,140

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES (PAGE 19) \$ 2,682,465

Midland County, Texas

Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds For the Fiscal Year Ended September 30, 2016

| | Governmental Activities Internal Service Funds |
|-----------------------------------|---|
| OPERATING REVENUES | |
| Charges for current services | \$ 9,794,187 |
| Total operating revenues | 9,794,187 |
| OPERATING EXPENSES | |
| Fleet maintenance | 578,950 |
| Claims expense | 6,420,050 |
| Administration costs | 1,121,011 |
| Premium costs | 1,391,595 |
| Professional services | 323 |
| Total operating expenses | 9,511,929 |
| Operating income | 282,258 |
| NONOPERATING REVENUES | |
| Investment income | 33,523 |
| Miscellaneous income | 65,649 |
| Total nonoperating revenues | 99,172 |
| Income before transfers | 381,430 |
| Transfers out | (159,290) |
| Change in net position | 222,140 |
| Net position - beginning of year | 7,217,641 |
| NET POSITION - END OF YEAR | \$ 7,439,781 |

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, 2016

| | Agency Funds |
|------------------------------------|-------------------------|
| | <hr/> |
| ASSETS | |
| Cash and equivalent | \$ 5,387,264 |
| Investments held in trust | 6,820,773 |
| Other receivables | 370,654 |
| Due from other funds | 580,731 |
| | <hr/> |
| TOTAL ASSETS | \$ 13,159,422 |
| | <hr/> <hr/> |
| LIABILITIES | |
| Accounts payable | \$ 7,766 |
| Due to other funds | 929,806 |
| Due to other governmental agencies | 1,064,590 |
| Other liabilities | 646,599 |
| Funds held for others | 10,510,661 |
| | <hr/> |
| TOTAL LIABILITIES | \$ 13,159,422 |
| | <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, 2016
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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 \$683,739 in the General Fund and \$36,740 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 \$4,249,031. 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, 2016 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 \$146,187,181 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 \$(21,600,385) difference are as follows:

| | |
|--|-----------------------------|
| Bonds and capital leases payable | \$ 17,665,625 |
| Bond premium liability | 1,242,080 |
| Compensated absences | <u>2,692,680</u> |
| Net adjustment to decrease <i>fund balance - total governmental funds</i> | |
| to arrive at net position - governmental activities. | <u><u>\$ 21,600,385</u></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 \$4,969,510 difference are as follows:

| | |
|--|----------------------------|
| Deferred property taxes receivable | 720,479 |
| Deferred court fines receivable | <u>4,249,031</u> |
| Net adjustment to decrease <i>fund balance - total governmental funds</i> | |
| to arrive at net position - governmental activities. | <u><u>\$ 4,969,510</u></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 \$4,406,877 difference are as follows:

| | |
|--|----------------------------|
| Capital additions | \$ 13,602,272 |
| Depreciation expense | <u>(9,195,395)</u> |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> | |
| to arrive at changes in net position of governmental activities. | <u><u>\$ 4,406,877</u></u> |

Another element of that reconciliation states that, “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.” The total amount related to loss on disposition of assets totaled \$(1,154,353).

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 \$1,006,141 difference are as follows:

| | |
|---|---------------------|
| Principal repayments | 15,107,500 |
| Proceeds from issuance of bond refunding | (14,625,000) |
| Amortization of bond premium | 203,934 |
| Additional premium from bond refunding | (1,184,760) |
| Change in accrued interests | 24,360 |
| Additional bond refunding difference from bond issuance | 1,480,107 |
| | <hr/> |
| Net adjustment to increase <i>net changes in fund balances - total</i> governmental funds to arrive at changes in net position of governmental activities. | \$ 1,006,141 |
| | <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 \$258,224 difference are as follows:

| | |
|---|-------------------|
| Change in pension liability | \$ 4,333,926 |
| Change in deferred outflows from pension liability | (9,160,998) |
| Change in deferred inflows from pension liability | 769,052 |
| Change in OPEB liability | 4,304,359 |
| Net change in compensated absences | 11,885 |
| | <hr/> |
| Net adjustment to increase <i>net changes in fund balances - total</i> governmental funds to arrive at changes in net position of governmental activities. | \$ 258,224 |
| | <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 \$2,865,417 difference are as follows:

| | |
|---|---------------------|
| Net change in property tax deferred revenue | \$ (110,495) |
| Net change in fines and fees deferred revenue | 2,975,912 |
| | <hr/> |
| Net adjustment to increase <i>net changes in fund balances - total</i> governmental funds to arrive at changes in net position of governmental activities. | \$ 2,865,417 |
| | <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, 2016. At year-end, the total carrying amount of the County's deposits was \$16,144,512 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 \$27,524,806 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 \$29,042,111. The Federal Depository Insurance Corporation (FDIC) covered \$250,000 and \$44,871,320 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 \$16,328,462. The Federal Depository Insurance Corporation (FDIC) covered \$13,250,000 and \$5,553,269 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 | | | Percent of Total Investment | Weighted Average Maturity (Days) | Credit Risk and Rating Agency |
|---|-------------------------|----------------------|----------------------|-----------------------------|----------------------------------|-------------------------------|
| | Fair Value | Level 1 Inputs | Level 2 Inputs | | | |
| Investments measured at amortized cost investment pools | | | | | | |
| TexPool | \$ 3,573,252 | n/a | n/a | 4% | 2 | AAAm - S&P |
| TexStar | 15,078,669 | n/a | n/a | 18% | 21 | AAAm - S&P |
| Texas CLASS | 12,889,314 | n/a | n/a | 15% | 9 | AAAm - S&P |
| Investment by fair value level | | | | | | |
| U.S. Treasury Notes | 12,474,094 | 12,474,094 | - | 15% | 95 | AA+/Aaa - S&P |
| U.S. Agency Bond | 20,303,426 | - | 20,303,426 | 24% | 139 | AA+/Aaa - S&P |
| Certificate of Deposits | 20,704,033 | 20,704,033 | - | 24% | 51 | AA+/Aaa - S&P |
| Total | <u>\$ 85,022,788</u> | <u>\$ 33,178,127</u> | <u>\$ 20,303,426</u> | <u>100%</u> | | |
| Portfolio Weighted Average if Maturity | | | | | <u>317</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, 2016, the County minimized the interest rate risk, related to the decline in market value of securities due to rising interest rates in the portfolio by: 1) limiting the effective duration of security types not to exceed three years with the exception of securities purchases related to reserve funds, 2) structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity, 3) monitoring credit rating of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act, and 4) investing operating funds primarily in shorter-term securities and government investment pools.

The following table details the maturity schedule of the County's investments as of September 30, 2016.

| Maturity Schedule | Par Value | Fair Value | % of Portfolio |
|---------------------|----------------------|----------------------|----------------|
| Less than 1 Month | \$ 847,000 | \$ 859,725 | 1% |
| 1 to 6 Months | 45,973,951 | 46,053,984 | 54% |
| 6 to 9 Months | 6,413,905 | 6,428,126 | 8% |
| 9 to 12 Months | 1,125,000 | 1,143,092 | 1% |
| 12 to 18 Months | 10,600,000 | 10,676,569 | 13% |
| More than 18 Months | 19,602,000 | 19,861,292 | 23% |
| Total | <u>\$ 84,561,856</u> | <u>\$ 85,022,788</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, 2016, the County minimized credit risk losses due to default of a security issuer or backer, by: 1) limiting investments to the safest types of securities by purchasing investments in US Treasury Notes and Bills that were rated AAA, AAA, and Aaa by Standard & Poor's, Fitch and Moody's, respectively, 2) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business, and 3) diversifying the investment portfolio so that potential losses on individual securities were minimized.

Note 4. Receivables

Receivables as of September 30, 2016 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 | \$ 785,554 | \$ - | \$ 42,689 | \$ - | \$ - | \$ 828,243 |
| Accounts receivable | 38,476,570 | 25 | 14,883 | 20,946 | 50,524 | 38,562,948 |
| Gross receivables | 39,262,124 | 25 | 57,572 | 20,946 | 50,524 | 39,391,191 |
| Less: allowance for uncollectibles | (34,117,809) | - | (1,708) | - | - | (34,119,517) |
| Net total receivables | \$ 5,144,315 | \$ 25 | \$ 55,864 | \$ 20,946 | \$ 50,524 | \$ 5,271,674 |

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, 2016 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 | 1,118,568 | 10,180,598 | (10,495,601) | 803,565 |
| Total capital assets, not being depreciated | 3,852,934 | 10,180,598 | (10,495,601) | 3,537,931 |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | 123,777,988 | 2,110,655 | - | 125,888,643 |
| Infrastructure | 54,869,578 | 8,432,016 | (2,387,671) | 60,913,923 |
| Machinery and equipment | 25,631,421 | 3,374,604 | (990,971) | 28,015,054 |
| Total capital assets being depreciated | 204,278,987 | 13,917,275 | (3,378,642) | 214,817,620 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (25,308,309) | (3,986,154) | - | (29,294,463) |
| Infrastructure | (25,138,312) | (2,601,255) | 1,225,693 | (26,513,874) |
| Machinery and equipment | (14,591,353) | (2,607,986) | 839,306 | (16,360,033) |
| Total accumulated depreciation | (65,037,974) | (9,195,395) | 2,064,999 | (72,168,370) |
| Total capital assets, being depreciated, net | 139,241,013 | 4,721,880 | (1,313,643) | 142,649,250 |
| Governmental activities capital assets, net | \$ 143,093,947 | \$ 14,902,478 | \$ (1,809,244) | \$ 146,187,181 |

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 | \$ 1,767,303 |
| Judicial | 267,688 |
| Financial administration | 54,325 |
| Elections | 4 |
| Public safety and corrections | 2,069,383 |
| Health and welfare | 21,542 |
| Cultural and recreation | 2,129,039 |
| Highways and roads | 2,874,379 |
| Conservation and natural resources | 11,732 |
| Total depreciation expense - governmental activities | <u>\$ 9,195,395</u> |

In March 2015, the County finalized an Interlocal agreement with the Midland County Fresh Water Supply District (District), whereby the County authorized the District to acquire water rights on the County's behalf for up to \$4,300,000. Subsequently, the District entered into an agreement to purchase water rights on behalf of, and for the benefit of, the County for \$3,201,000 plus future royalties. In addition to the cash purchase price the County incurred capital costs, totaling \$1,110,000 related to due diligence and closing, which increased the cost basis of the water rights to \$4,311,000, which is included under the caption "Infrastructure" on the accompanying statement of net position.

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 consisting of 586 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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, 2015:

| | |
|--|-------------|
| Retirees or beneficiaries currently receiving benefits | 317 |
| Inactive employees entitle to but not yet receiving benefits | 574 |
| Active employees | 631 |
| Total | 1522 |

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 10.49% for the months of the accounting year in 2015, and 9.93% for the months of the accounting year in 2016. The County contributed at a rate of 13.00% for all months included in the fiscal year ended September 30, 2016.

The deposit rate payable by the employee members for calendar year 2015 and 2016 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, 2015, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---------------------------|-------------------|
| Valuation Date | December 31, 2015 |
| Actuarial Cost Method | Entry Age Normal |
| Asset Valuation Method | |
| Smoothing period | 5 Years |
| Recognition method | Non-asymptotic |
| Corridor | None |
| Inflation | 3.00% |
| Salary Increase | 1.40% |
| Investment Rate of Return | 8.10% |
| Payroll Growth | 3.50% |

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

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, 2015 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 | 14.50% | 5.45% |
| Private Equity | 14.00% | 8.45% |
| Global Equities | 1.50% | 5.75% |
| International Equities-Developed | 10.00% | 5.45% |
| International Equities-Emerging | 8.00% | 6.45% |
| Investment-Grade Bonds | 3.00% | 1.00% |
| High-Yield Bonds | 3.00% | 5.10% |
| Opportunistic Credit | 2.00% | 5.09% |
| Direct Lending | 5.00% | 6.40% |
| Distressed Debt | 3.00% | 8.10% |
| REIT Equities | 3.00% | 4.00% |
| Master Limited Partnerships | 3.00% | 6.80% |
| Private Real Estate Partnerships | 5.00% | 6.90% |
| Hedge Funds | 25.00% | 5.25% |
| 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 2016 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, 2014 | \$ 130,702,463 | \$ 119,382,501 | \$ 11,319,962 |
| Changes for the year: | | | |
| Service cost | 3,778,801 | - | 3,778,801 |
| Interest on total pension liability (1) | 6,379,917 | - | 6,379,917 |
| Effect of plan changes (2) | (730,658) | - | (730,658) |
| Effect of economic/demographic gains or losses | (1,063,811) | - | (1,063,811) |
| Effect of assumptions changes or inputs | 1,434,304 | - | 1,434,304 |
| Refund of contributions | (362,981) | (362,981) | - |
| Benefit payments | (5,439,300) | (5,439,300) | - |
| Administrative expenses | - | (85,841) | 85,841 |
| Member contributions | - | 2,159,763 | (2,159,763) |
| Net investment income | - | (588,745) | 588,745 |
| Employer contributions | - | 4,010,993 | (4,010,993) |
| Other (3) | - | (31,543) | 31,543 |
| Balances as of December 31, 2015 | \$ 134,698,735 | \$ 119,044,847 | \$ 15,653,888 |

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

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

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

Discount Rate Sensitivity Analysis

The following presents the net pension liability of the County as of December 31, 2015, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.10%) or 1% higher (9.10%) than the current rate.

| | 1% Decrease in Discount Rate (7.10%) | Discount Rate (8.10%) | 1% Increase in Discount Rate (9.10%) |
|--|--------------------------------------|-----------------------|--------------------------------------|
| Total pension liability | \$ 151,914,436 | \$ 134,698,734 | \$ 120,375,811 |
| Fiduciary net pension | 119,044,847 | 119,044,847 | 119,044,847 |
| Net pension liability / (asset) | \$ 32,869,589 | \$ 15,653,887 | \$ 1,330,964 |

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, 2016, the County recognized pension expense of \$3,799,483 related to the December 31, 2015 valuation. At September 30, 2016, the County reported deferred inflows and outflows of resources related to the Plan from the following sources:

| | Deferred Inflows of Resources | Deferred Outflows of Resources |
|---|-------------------------------------|--------------------------------------|
| Differences between expected and actual economic experience | \$ 1,073,845 | \$ - |
| Changes of assumptions | - | 1,075,727 |
| Net difference between projected and actual investment earnings | - | 9,216,014 |
| Contributions subsequent to the measurement date | - | 3,174,160 |
| Total | \$ 1,073,845 | \$ 13,465,901 |

Deferred outflows of resources related to the Plan resulting from contributions subsequent to the measurement date of \$3,174,160 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2016 (i.e. recognized in the County's financial statements 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 |
|--------------------------------|---------------------------|
| 2017 | \$ 2,336,332 |
| 2018 | 2,336,332 |
| 2019 | 2,474,325 |
| 2020 | 2,070,908 |
| Total | \$ 9,217,897 |

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 or 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 \$1,211,607 to the health care fund for post-retirement health care as well as \$49,208 for a medical supplement; County contributions for both totaled \$1,260,815.

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, 2014, includes the October 1, 2014 and October 1, 2015 liabilities and the October 1, 2014 to September 30, 2015 and October 1, 2015 to September 30, 2016 annual costs for the County's Other Postemployment Benefits (OPEB) as prescribed under GASB Statement No. 45. The County implemented the requirements of GASB Statement No. 45 during the fiscal year ended September 30, 2016; see Note 15.

C. Annual OPEB Cost and Net OPEB Obligation

The County's 2016 annual OPEB cost (expense) of \$ 5,565,174 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 2016 are as follows:

| | |
|---|-----------------------------|
| Annual required contribution | \$ 5,582,472 |
| Interest on OPEB obligation | 863,975 |
| Adjustment to ARC | <u>(881,273)</u> |
| Annual OPEB cost (expense), end of year | 5,565,174 |
| Net employer contributions | <u>(1,260,815)</u> |
| Increase in net OPEB obligation (NOO) | 4,304,359 |
| Net OPEB obligation, beginning of the year | <u>21,599,373</u> |
| Net OPEB obligation, end of the year | <u>\$ 25,903,732</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 |
|----------------------|---------------------|---------------------------|--|------------------------|
| 9/30/2014 | \$ 4,044,056 | \$ 795,473 | 19.7% | \$ 17,411,259 |
| 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 |

Midland County, Texas
Notes to the Financial Statements

D. Funded Status and Funding Progress

The funded status of the plan as of September 30, 2016 is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability | Unfunded Actuarial Accrued Liability | Funded Ratio | Annual Covered Payroll | Underfunded Actuarial Accrued Liability as a Percentage of Covered Payroll |
|--------------------------|---------------------------|-----------------------------|--------------------------------------|--------------|------------------------|--|
| 10/1/2013 | - | \$ 43,401,543 | \$ 43,401,543 | 0.00% | N/A | N/A |
| 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 |

Under reporting parameters, the County's OPEB plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$ 59,336,292 at September 30, 2016.

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: | 8.00% |

Midland County, Texas
Notes to the Financial Statements

Note 8. Discrete Component Unit

As discussed in Note 1A, the Midland Housing Finance Corporation is a component unit of the County. At September 30, 2016, 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, 2016 arising from these transactions were as follows:

| | Interfund | |
|---|------------|---------------|
| | Receivable | Payable |
| General Fund | \$ 622,649 | \$ 13,060,845 |
| Road and Bridge Fund | 8,965,487 | - |
| Special Revenue Funds | | |
| Law Library Fund | 2,030 | - |
| County Clerk Records Management Fund | 5,155 | - |
| Records Preservation Fund | 656 | - |
| District Clerk Records Management Fund | 139,594 | - |
| Juvenile Probation Fee Account Fund | 305 | - |
| Courthouse Security Fund | 16,734 | - |
| County Clerk Record Archives | 5,120 | - |
| County Clerk Vital Stat Preservation Fund | - | 10,175 |
| Dealer Inventory Fund | 625 | 25 |
| Justice Court Building Security Fund | 201 | 4,374 |
| Juvenile Case Management Fund | 3,258 | - |
| County Attorney State Supplement | 28,179 | - |
| Truancy Prevention Fund | 25,928 | - |
| Pretrial Intervention Program Fund | 387,248 | - |
| Election Contracts | 44,343 | - |
| Court Records Preservation | 175,149 | - |
| Scofflaw Implementation Fee | 14,490 | - |
| Appellate Justice System Fund | 268 | - |
| Guardianship Fund | 88,116 | - |
| Rabies Control | 63,644 | - |
| District Court Records Technology Fund | 130,725 | - |
| County and District Court Technology Fund | 43,597 | - |
| Justice Court Technology Fund | 305,409 | - |
| Donations SO Mounted Patrol | - | - |
| Donations Constable 4 Bulletproof Vest | - | - |
| Donations Horseshoe | 128,811 | - |
| Donations Sheriff's Office | 60,605 | - |

Midland County, Texas
Notes to the Financial Statements

| | Interfund | |
|--|----------------------|----------------------|
| | Receivable | Payable |
| Donations Constable 4 | 130 | - |
| Donations Emergency Management | 50 | - |
| L.E.O.S.E. Funds | 1,032 | - |
| District Attorney Drug Forfeiture | 44,860 | - |
| Office of Court Administration Fund | - | 6,780 |
| Other Victims' Assistance Fund | - | 4,376 |
| Crime Victim Services Fund | - | 7,650 |
| Donation SO Bulletproof Vest | 22,699 | - |
| Donation Constable | 10 | - |
| Juvenile Probation Grants | - | 59,390 |
| Donation Cemetery Care | 135 | - |
| Donation Library | 10,000 | - |
| C.E.T.R.Z | - | 470,469 |
| Debt Service Fund | 1,920 | 14,882 |
| Capital Projects Fund | 2,428,922 | - |
| Total governmental funds | 13,768,084 | 13,638,966 |
| Internal Service Fund | 219,957 | - |
| Total internal service fund | 219,957 | - |
| Agency Funds | | |
| District Clerk | 155 | 2,843 |
| County Clerk | 10,026 | 57,465 |
| Sheriff | - | 106,251 |
| Justice of the Peace Precinct #1 | - | 16,607 |
| Justice of the Peace Precinct #2 | 245 | 12,612 |
| Justice of the Peace Precinct #3 | 638 | 7,749 |
| Justice of the Peace Precinct #4 | - | 7,410 |
| Tax Collector Assessor | 143,286 | 422,514 |
| Basic Security | - | 3,416 |
| CSCD - Basic Supervision | 183,658 | 163,491 |
| CSCD - Mental Health Initiative | 14,752 | 4,462 |
| CSCD - Substance Abuse Continuum | 73,409 | 81,740 |
| CSCD - Midland Outpatient Treatment Center | 52,287 | 19,968 |
| CSCD - Cognitive Behavior | 30,319 | 10,450 |
| Sex Offender Caseload | 30,000 | 5,568 |
| DWI Repeat Offender Caseload | 41,956 | 7,260 |
| Total agency funds | 580,731 | 929,806 |
| Total | \$ 14,568,772 | \$ 14,568,772 |

Midland County, Texas
Notes to the Financial Statements

Interfund transfers for the year ended September 30, 2016 are as follows:

| | Interfund | |
|------------------------------|----------------------|----------------------|
| | Transfers In | Transfers Out |
| General fund | \$ 52,108 | \$ 16,358,187 |
| Road and bridge fund | 13,230,417 | - |
| Debt service fund | 672,505 | 35,000 |
| Nonmajor governmental funds: | | |
| Law Library | 21,812 | - |
| Mental health deputies | 290,821 | - |
| Homeshoe promotions | 150,000 | - |
| C.E.R.TZ | 123,048 | 23,234 |
| Capital projects fund | 2,035,000 | - |
| Internal service fund | - | 159,290 |
| Total | \$ 16,575,711 | \$ 16,575,711 |

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, 2016:

| | Balance October 1, 2015 | Additions | Reductions | Balance September 30, 2016 | Due Within One Year |
|--|----------------------------|----------------------|----------------------|-------------------------------|------------------------|
| General Obligation Bonds-Series 2016 | \$ - | \$ 14,625,000 | \$ - | \$ 14,625,000 | \$ 70,000 |
| General Obligation Bonds-Series 2009 | 18,140,000 | - | 15,100,000 | 3,040,000 | 975,000 |
| Unamortized premium on General Obligation Bonds Series 2009 | 261,254 | 1,184,760 | 203,934 | 1,242,080 | - |
| Capital lease obligation | 8,125 | - | 7,500 | 625 | 625 |
| Compensated absences | 2,680,795 | 2,686,738 | 2,674,853 | 2,692,680 | 2,558,046 |
| Totals | \$ 21,090,174 | \$ 18,496,498 | \$ 17,986,287 | \$ 21,600,385 | \$ 3,603,671 |

B. Bonds

Certificates of Obligation and General Obligation Bonds at September 30, 2016 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%. | \$ 3,040,000 |
| \$14,625,000 General Obligation Refunding Bonds, Series 2016, annual installments beginning 2016 through 2029, interest at 2.00% to 3.50%. | 14,625,000 |
| Total bonds outstanding | \$ 17,665,000 |

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, 2016 is as follows:

| General Obligation Bonds | Principal | Interest | Total |
|---------------------------|----------------------|---------------------|----------------------|
| Year Ending September 30, | | | |
| 2017 | \$ 1,045,000 | \$ 609,056 | \$ 1,654,056 |
| 2018 | 1,085,000 | 572,868 | 1,657,868 |
| 2019 | 1,130,000 | 525,625 | 1,655,625 |
| 2020 | 1,185,000 | 473,106 | 1,658,106 |
| 2021 | 1,235,000 | 424,706 | 1,659,706 |
| 2022-2026 | 7,055,000 | 1,330,905 | 8,385,905 |
| 2027-2029 | 4,930,000 | 196,266 | 5,126,266 |
| Total | \$ 17,665,000 | \$ 4,132,532 | \$ 21,797,532 |

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.

C. Advance Refunding

On June 2, 2016, the County issued \$14,625,000 General Obligation Bonds, Series 2016 with interest rates ranging from 2 to 3.5%. The majority of the proceeds were used to advance refund \$14,160,000 of outstanding 2009 Certificate of Obligation Bonds which had interest rates ranging from 3 to 5.25%. The total proceeds of \$15,844,041 (\$14,160,000 of the refunded debt, \$1,147,090 of premium, \$289,181 of accrued interests, and \$247,770 of issuance costs) was placed in an irrevocable trust with an escrow agent to provide funds for future debt service payment on the refunded bonds. As a result, \$14,160,000 of the 2009 Certificate of Obligation Bonds are considered defeased and the liability for those bonds has been removed from the Statement of Net Position. At September 30, 2016 \$14,160,000 of the defeased debt remain outstanding. The reacquisition price exceeded the net carrying amount of the refunded debt by \$1,480,107 and will be amortized over the remaining life of the 2016 General Obligation Bonds. The County's advance refunded the 2009 Certificate of Obligation Bonds to reduce its total debt service payments by \$1,454,972 and to obtain an economic gain of \$1,174,538 (present value).

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.

Midland County, Texas
Notes to the 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.

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, 2015 | \$ 751,482 |
| Insured claims (including (IBNRs) | 5,915,045 |
| Claim payments | <u>(5,900,752)</u> |
| Unpaid claims, September 2016 | 765,775 |
| Insured claims (including (IBNRs) | 6,417,285 |
| Claim payments | <u>(6,343,131)</u> |
| Unpaid claims, September 30, 2016 | <u>\$ 839,929</u> |

Unpaid claims are reported in the accounts payables.

Note 13. Operating Leases

The County's future minimum rental commitments for various equipment, accounted for as operating leases at September 30, 2016 are as follows:

| <u>Operating Leases</u> | |
|--|--------------------------|
| Year Ending September 30, | |
| 2017 | \$ 116,167 |
| 2018 | 78,663 |
| 2019 | 42,221 |
| 2020 | 7,522 |
| 2021 | <u>974</u> |
| Total future minimum rental commitments | <u>\$ 245,547</u> |

Rental expense related to leased equipment totaled approximately \$169,909 for the year ended September 30, 2016.

Note 14. Contingencies

A. Federally 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. Change in Accounting Principle

In accordance with GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, Employers that participate in single-employer or agent multiple-employer defined benefit OPEB plans (sole and agent employers) are required to measure and disclose an amount for annual OPEB cost on the accrual basis of accounting. Annual OPEB cost is equal to the employer's annual required contribution to the plan (ARC), with certain adjustments if the employer has a net OPEB obligation for past under- or overcontributions. The County has retroactively implemented this change, which resulted in a restatement of beginning net position as of September 30, 2016, the effect of which was a decrease of \$21,599,373 from previously reported net position of \$219,191,447 to \$197,592,074.

Note 16. New Pronouncements

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets* that are not within the Scope of GASB 68, and amendments to certain provisions of GASB 67 and 68. This Statement establishes requirements for defined benefit pensions that are not within the scope of GASB 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB 68. It also amends certain provisions of GASB 67 and GASB 68 for pension plans and pensions that are within their respective scopes. This statement is effective for financial statements for reporting periods beginning after June 15, 2016.

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* – The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Midland County, Texas

Notes to the Financial Statements

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

Statement No. 77, *Tax Abatement Disclosures* – This statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding these commitments. This statement will become effective for the County in fiscal year 2017.

Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* – the objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 79, *Certain External Investment Pools and Pool Participants* – This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14* – the objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

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.

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, 2016

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

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (GAAP Basis) and Actual For the Fiscal Year Ended September 30, 2016

| | Original Budget |
|---|-----------------------------|
| REVENUES | |
| Property tax, penalties and interest | \$ 28,450,000 |
| Sales tax | 30,800,000 |
| Hotel-motel tax | 750,000 |
| Fines and forfeitures | 2,790,000 |
| Licenses and permits | 500,000 |
| Intergovernmental charges | 450,000 |
| Charges for current services | 3,986,400 |
| Investment income | 200,000 |
| Other | 629,850 |
| Total revenues | <u>68,556,250</u> |
| EXPENDITURES | |
| Current: | |
| General administration | 12,658,189 |
| Judicial | 16,696,890 |
| Financial administration | 3,374,308 |
| Elections | 624,358 |
| Public safety and corrections | 22,910,363 |
| Health and welfare | 793,695 |
| Culture and recreation | 3,894,816 |
| Conservation and natural resources | 188,960 |
| Capital outlay | 2,672,400 |
| Total expenditures | <u>63,813,979</u> |
| Excess of revenues (deficiency) over expenditures | 4,742,271 |
| OTHER FINANCING SOURCES (USES) | |
| Proceeds from sale of assets and capital lease | 5,000 |
| Transfers in | - |
| Transfers out | (16,705,000) |
| Total other financing sources (uses) | <u>(16,700,000)</u> |
| Net change in fund balance | (11,957,729) |
| Fund balance - beginning of year | <u>69,352,921</u> |
| FUND BALANCE, END OF YEAR | <u><u>\$ 57,395,192</u></u> |

| Final Budget | Actual | Variance - Favorable (Unfavorable) |
|---------------------------|---------------------------|--|
| \$ 28,450,000 | \$ 29,783,532 | \$ 1,333,532 |
| 30,800,000 | 30,790,248 | (9,752) |
| 750,000 | 695,480 | (54,520) |
| 2,790,000 | 3,517,726 | 727,726 |
| 500,000 | 751,591 | 251,591 |
| 450,000 | 879,737 | 429,737 |
| 3,986,400 | 5,277,861 | 1,291,461 |
| 200,000 | 537,306 | 337,306 |
| 635,850 | 1,193,031 | 557,181 |
| <hr/> 68,562,250 | <hr/> 73,426,512 | <hr/> 4,864,262 |
| 11,735,487 | 10,127,511 | 1,607,976 |
| 17,220,670 | 15,990,604 | 1,230,066 |
| 3,389,915 | 3,283,809 | 106,106 |
| 614,232 | 505,039 | 109,193 |
| 24,282,901 | 23,488,458 | 794,443 |
| 846,995 | 712,316 | 134,679 |
| 3,934,011 | 3,926,150 | 7,861 |
| 186,695 | 152,177 | 34,518 |
| 3,009,208 | 2,392,185 | 617,023 |
| <hr/> 65,220,114 | <hr/> 60,578,249 | <hr/> 4,641,865 |
| 3,342,136 | 12,848,263 | 9,506,127 |
| 5,000 | 57,092 | 52,092 |
| - | 52,108 | 52,108 |
| <hr/> (16,726,813) | <hr/> (16,358,187) | <hr/> 368,626 |
| <hr/> (16,721,813) | <hr/> (16,248,987) | <hr/> 472,826 |
| (13,379,677) | (3,400,724) | 9,978,953 |
| <hr/> 69,352,921 | <hr/> 69,352,921 | <hr/> - |
| <hr/> <hr/> \$ 55,973,244 | <hr/> <hr/> \$ 65,952,197 | <hr/> <hr/> \$ 9,978,953 |

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, 2016

| | Original Budget |
|---|----------------------------|
| REVENUES | |
| Licenses | \$ 2,254,000 |
| Intergovernmental charges | 24,000 |
| Investment income | 3,000 |
| Other revenues | 20,000 |
| Total revenues | 2,301,000 |
| EXPENDITURES | |
| Highways and roads | 4,532,440 |
| Capital outlay | 10,903,817 |
| Total expenditures | 15,436,257 |
| Excess of (deficiency) revenues over expenditures | (13,135,257) |
| OTHER FINANCING SOURCES (USES) | |
| Transfers in | 13,170,000 |
| Total other financing sources | 13,170,000 |
| Net change in fund balance | 34,743 |
| Fund balance - beginning of year | 6,759,710 |
| FUND BALANCE, END OF YEAR | \$ 6,794,453 |

| Final Budget | Actual | Variance - Favorable (Unfavorable) |
|---------------------|----------------------|--|
| \$ 2,254,000 | \$ 2,079,363 | \$ (174,637) |
| - | 24,966 | 24,966 |
| 3,000 | 16,030 | 13,030 |
| 20,000 | 323,641 | 303,641 |
| 2,277,000 | 2,444,000 | 167,000 |
| 4,546,088 | 3,872,487 | 673,601 |
| 12,927,550 | 8,222,129 | 4,705,421 |
| 17,473,638 | 12,094,616 | 5,379,022 |
| (15,196,638) | (9,650,616) | 5,546,022 |
| 13,170,000 | 13,230,417 | 60,417 |
| 13,170,000 | 13,230,417 | 60,417 |
| (2,026,638) | 3,579,801 | 5,606,439 |
| 6,759,710 | 6,759,710 | - |
| <u>\$ 4,733,072</u> | <u>\$ 10,339,511</u> | <u>\$ 5,606,439</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, 2016

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, 2016

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 | Donations Constable 4 Bulletproof Vest |
| Truancy Court | Homeshoe Promotions |
| Law Library | Donations Horseshoe |
| County Clerk Records Management | Donations Sheriff's Office |
| Records Preservation | Donations Constable 4 |
| District Clerk Records Management | Donations Emergency Management |
| Juvenile Probation Fees | L.E.O.S.E. Funds |
| Courthouse Security | District Attorney Victims of Crime |
| County Clerk Records Archive | District Attorney Drug Forfeiture |
| County Clerk Vital Statistics | Sheriff Abell Hanger |
| Voter Registration Chapter 19 | Sheriff Local Drug Forfeiture |
| Employee Activity | Sheriff Federal Forfeiture |
| Dealer Inventory | Indigent Defense Improvement Grant |
| Justice Court Building Security | Office of Court Administration Grant |
| Juvenile Case Management | High Intensity Drug Trafficking Area Grant |
| County Attorney State Supplement | Other Victims Assistance Grant |
| Truancy Prevention Fund | Mental Health Deputies |
| Juvenile Delinquency Prevention | Texas Vine Grant |
| Pre-Trial Intervention Program | Crime Victim Services Grant |
| Election Contracts | Donation SO Bulletproof Vest |
| Unclaimed Juvenile Restitution | Donation CIU Volunteer Support |
| Court Records Preservation | Donation Teen Leadership Account |
| Scofflaw Implementation Fee | Donation Constable |
| Child Abuse Prevention | Donation Fire Marshall |
| Appellate Justice System | Title IV-E Federal Foster Care |
| Guardianship | Juvenile Probation State Grants |
| Abandoned Motor Vehicles | Justice Assistance Grants |
| Rabies Control | Donation Cemetery Care |
| District Court Records Technology | Donation Library |
| County and District Court Technology | Donation Juvenile |
| Justice Court Technology | Donation Dare Program |
| Donations SO Mounted Patrol | 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, 2016

| | Original Budget |
|---------------------------------------|----------------------------|
| REVENUES | |
| Property tax, penalties and interest | \$ 1,762,294 |
| Investment income | 1,000 |
| Total revenues | <u>1,763,294</u> |
| EXPENDITURES | |
| Debt service: | |
| Principal | 940,000 |
| Interests and fiscal charges | 823,294 |
| Total expenditures | <u>1,763,294</u> |
| Excess of revenues over expenditures | - |
| OTHER FINANCING SOURCES (USES) | |
| Proceeds from bond issuance | - |
| Premium | - |
| Payment to Escrow | - |
| Transfers in | - |
| Transfers out | - |
| Total other financing sources | <u>-</u> |
| Net change in fund balance | - |
| Fund balance - beginning of year | <u>399,900</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ 399,900</u></u> |

| Final Budget | Actual | Variance - Favorable (Unfavorable) |
|-----------------|--------------|--|
| \$ 1,762,294 | \$ 1,797,029 | \$ 34,735 |
| 1,000 | 1,578 | 578 |
| 1,763,294 | 1,798,607 | 35,313 |
| 940,000 | 940,000 | - |
| 789,013 | 774,329 | 14,684 |
| 1,729,013 | 1,714,329 | 14,684 |
| 34,281 | 84,278 | 49,997 |
| 14,625,000 | 14,625,000 | - |
| 1,184,760 | 1,184,760 | - |
| (15,844,041) | (15,844,041) | - |
| - | 672,505 | 672,505 |
| - | (35,000) | (35,000) |
| (34,281) | 603,224 | 637,505 |
| - | 687,502 | 687,502 |
| 399,900 | 399,900 | - |
| \$ 399,900 | \$ 1,087,402 | \$ 687,502 |

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, 2016

| | <u>Original Budget</u> |
|--|----------------------------|
| REVENUES | |
| Investment income | \$ - |
| Total revenues | - |
| EXPENDITURES | |
| Highways and roads | - |
| Capital outlay | 5,695,886 |
| Total expenditures | 5,695,886 |
| Deficiency of revenues over expenditures | (5,695,886) |
| OTHER FINANCING SOURCES (USES) | |
| Transfers in | 3,035,000 |
| Total other financing sources | 3,035,000 |
| Net change in fund balance | (2,660,886) |
| Fund balance - beginning of year | 8,091,510 |
| FUND BALANCE - END OF YEAR | <u><u>\$ 5,430,624</u></u> |

| Final Budget | Actual | Variance - Favorable (Unfavorable) |
|-----------------|--------------|--|
| \$ - | \$ 22,341 | \$ 22,341 |
| - | 22,341 | 22,341 |
| 72,291 | 72,234 | 57 |
| 4,792,500 | 2,201,960 | 2,590,540 |
| 4,864,791 | 2,274,194 | 2,590,597 |
| (4,864,791) | (2,251,853) | 2,612,938 |
| 3,035,000 | 2,035,000 | (1,000,000) |
| 3,035,000 | 2,035,000 | (1,000,000) |
| (1,829,791) | (216,853) | 1,612,938 |
| 8,091,510 | 8,091,510 | - |
| \$ 6,261,719 | \$ 7,874,657 | \$ 1,612,938 |

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet
 September 30, 2016

| | District Attorney Hot Check | Law Library | County Clerk Records Management |
|--|-----------------------------------|------------------|---------------------------------------|
| ASSETS | | | |
| Cash | \$ 1,485 | \$ 10,277 | \$ 5,912 |
| Investments | 173,083 | 2 | 1,082,732 |
| Accounts receivable | - | 109 | - |
| Due from other funds | - | 2,030 | 5,155 |
| Due from other governmental agencies | - | - | - |
| TOTAL ASSETS | \$ 174,568 | \$ 12,418 | \$ 1,093,799 |
| LIABILITIES | | | |
| Accounts payable | \$ 595 | \$ 10,715 | \$ 4,206 |
| Benefits payable | 907 | 1,703 | 2,249 |
| Due to other funds | - | - | - |
| Deferred grant revenue | - | - | - |
| Total liabilities | 1,502 | 12,418 | 6,455 |
| FUND BALANCES | | | |
| Restricted | | | |
| Legislation | 173,066 | - | 1,087,344 |
| Federal and state grants | - | - | - |
| Committed | | | |
| Employee motivation | - | - | - |
| Donations | - | - | - |
| Total fund balances | 173,066 | - | 1,087,344 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 174,568 | \$ 12,418 | \$ 1,093,799 |

| <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> |
|---------------------------------|--|--|--------------------------------|---|--|
| \$ 2,044 | \$ - | \$ - | \$ (2) | \$ 5,922 | \$ - |
| 265,660 | - | 21,021 | 5,990 | 1,265,323 | 171,935 |
| - | - | - | - | - | - |
| 656 | 139,594 | 305 | 16,734 | 5,120 | - |
| - | - | - | - | - | - |
| <u>\$ 268,360</u> | <u>\$ 139,594</u> | <u>\$ 21,326</u> | <u>\$ 22,722</u> | <u>\$ 1,276,365</u> | <u>\$ 171,935</u> |
| \$ 798 | \$ - | \$ - | \$ 1,390 | \$ 26,266 | \$ 12 |
| - | - | - | 2,236 | 1,530 | 16 |
| - | - | - | - | - | 10,175 |
| - | - | - | - | - | - |
| 798 | - | - | 3,626 | 27,796 | 10,203 |
| 267,562 | 139,594 | 21,326 | 19,096 | 1,248,569 | 161,732 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <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>\$ 268,360</u> | <u>\$ 139,594</u> | <u>\$ 21,326</u> | <u>\$ 22,722</u> | <u>\$ 1,276,365</u> | <u>\$ 171,935</u> |

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2016

| | Voter Registration Chapter 19 | Employee Activity | Dealer Inventory |
|--|-------------------------------------|----------------------|---------------------|
| ASSETS | | | |
| Cash | \$ 1 | \$ - | \$ 3 |
| Investments | - | 14,323 | 30,598 |
| Accounts receivable | - | 1,606 | - |
| Due from other funds | - | - | 625 |
| Due from other governmental agencies | 22 | - | - |
| TOTAL ASSETS | \$ 23 | \$ 15,929 | \$ 31,226 |
| LIABILITIES | | | |
| Accounts payable | \$ 22 | \$ - | \$ 46 |
| Benefits payable | 1 | - | 74 |
| Due to other funds | - | - | 25 |
| Deferred grant revenue | - | - | - |
| Total liabilities | 23 | - | 145 |
| FUND BALANCES | | | |
| Restricted | | | |
| Legislation | - | - | 31,081 |
| Federal and state grants | - | - | - |
| Committed | | | |
| Employee motivation | - | 15,929 | - |
| Donations | - | - | - |
| Total fund balances | - | 15,929 | 31,081 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 23 | \$ 15,929 | \$ 31,226 |

| <u>Justice Court Building Security</u> | <u>Juvenile Case Management</u> | <u>County Attorney State Supplement</u> | <u>Truancy Prevention Fund</u> | <u>Juvenile Delinquency Prevention</u> | <u>Pre-Trial Intervention Program</u> |
|--|---|---|--|--|---|
| \$ 1 | \$ (1) | \$ (1) | \$ - | \$ 115 | \$ (3) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 201 | 3,258 | 28,179 | 25,928 | - | 387,248 |
| - | - | - | - | - | - |
| <u>\$ 202</u> | <u>\$ 3,257</u> | <u>\$ 28,178</u> | <u>\$ 25,928</u> | <u>\$ 115</u> | <u>\$ 387,245</u> |
| \$ - | \$ 1,197 | \$ 2,955 | \$ - | \$ - | \$ 2,609 |
| - | 2,060 | 558 | - | - | 4,536 |
| 4,374 | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>4,374</u> | <u>3,257</u> | <u>3,513</u> | <u>-</u> | <u>-</u> | <u>7,145</u> |
| (4,172) | - | 24,665 | 25,928 | 115 | 380,100 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>(4,172)</u> | <u>-</u> | <u>24,665</u> | <u>25,928</u> | <u>115</u> | <u>380,100</u> |
| <u>\$ 202</u> | <u>\$ 3,257</u> | <u>\$ 28,178</u> | <u>\$ 25,928</u> | <u>\$ 115</u> | <u>\$ 387,245</u> |

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2016

| | Election Contracts | Unclaimed Juvenile Restitution | Court Records Preservation |
|--|-----------------------|--------------------------------------|----------------------------------|
| ASSETS | | | |
| Cash | \$ (1) | \$ 494 | \$ - |
| Investments | - | - | - |
| Accounts receivable | 17,632 | - | - |
| Due from other funds | 44,343 | - | 175,149 |
| Due from other governmental agencies | 7,864 | - | - |
| TOTAL ASSETS | \$ 69,838 | \$ 494 | \$ 175,149 |
| LIABILITIES | | | |
| Accounts payable | \$ 2,400 | \$ - | \$ - |
| Benefits payable | - | - | - |
| Due to other funds | - | - | - |
| Deferred grant revenue | - | - | - |
| Total liabilities | 2,400 | - | - |
| FUND BALANCES | | | |
| Restricted | | | |
| Legislation | 67,438 | 494 | 175,149 |
| Federal and state grants | - | - | - |
| Committed | | | |
| Employee motivation | - | - | - |
| Donations | - | - | - |
| Total fund balances | 67,438 | 494 | 175,149 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 69,838 | \$ 494 | \$ 175,149 |

| <u>Scofflaw Implementation Fee</u> | <u>Child Abuse Prevention</u> | <u>Appellate Justice System</u> | <u>Guardianship</u> | <u>Abandoned Motor Vehicles</u> | <u>Rabies Control</u> |
|--|---------------------------------------|---|---------------------|---|---------------------------|
| \$ - | \$ 7,344 | \$ 3,540 | \$ 1 | \$ 27,740 | \$ 1 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 14,490 | - | 268 | 88,116 | - | 63,644 |
| - | - | - | - | - | - |
| <u>\$ 14,490</u> | <u>\$ 7,344</u> | <u>\$ 3,808</u> | <u>\$ 88,117</u> | <u>\$ 27,740</u> | <u>\$ 63,645</u> |
| \$ - | \$ - | \$ 3,808 | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 3,808 | - | - | - |
| 14,490 | 7,344 | - | 88,117 | 27,740 | 63,645 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>14,490</u> | <u>7,344</u> | <u>-</u> | <u>88,117</u> | <u>27,740</u> | <u>63,645</u> |
| <u>\$ 14,490</u> | <u>\$ 7,344</u> | <u>\$ 3,808</u> | <u>\$ 88,117</u> | <u>\$ 27,740</u> | <u>\$ 63,645</u> |

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2016

| | District Court Records Technology | County and District Court Technology | Justice Court Technology |
|--|--|---|--------------------------------|
| ASSETS | | | |
| Cash | \$ 1 | \$ (1) | \$ - |
| Investments | - | - | - |
| Accounts receivable | - | - | - |
| Due from other funds | 130,725 | 43,597 | 305,409 |
| Due from other governmental agencies | - | - | - |
| TOTAL ASSETS | \$ 130,726 | \$ 43,596 | \$ 305,409 |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ 701 | \$ 2,772 |
| Benefits payable | - | - | - |
| Due to other funds | - | - | - |
| Deferred grant revenue | - | - | - |
| Total liabilities | - | 701 | 2,772 |
| FUND BALANCES | | | |
| Restricted | | | |
| Legislation | 130,726 | 42,895 | 302,637 |
| Federal and state grants | - | - | - |
| Committed | | | |
| Employee motivation | - | - | - |
| Donations | - | - | - |
| Total fund balances | 130,726 | 42,895 | 302,637 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 130,726 | \$ 43,596 | \$ 305,409 |

| <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 Emergency Management</u> |
|--|--|--------------------------------|---|----------------------------------|---|
| \$ 15,070 | \$ 500 | 11,867 | \$ (1) | \$ 1 | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | 350 | - |
| - | - | 128,811 | 60,605 | 130 | 50 |
| - | - | - | - | - | - |
| <u>\$ 15,070</u> | <u>\$ 500</u> | <u>\$ 140,678</u> | <u>\$ 60,604</u> | <u>\$ 481</u> | <u>\$ 50</u> |
| \$ - | \$ - | \$ - | \$ 3,337 | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 3,337 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 15,070 | 500 | 140,678 | 57,267 | 481 | 50 |
| <u>15,070</u> | <u>500</u> | <u>140,678</u> | <u>57,267</u> | <u>481</u> | <u>50</u> |
| <u>\$ 15,070</u> | <u>\$ 500</u> | <u>\$ 140,678</u> | <u>\$ 60,604</u> | <u>\$ 481</u> | <u>\$ 50</u> |

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2016

| | L.E.O.S.E. Funds | District Attorney Victims of Crime | District Attorney Drug Forfeiture |
|--|---------------------|---|--|
| ASSETS | | | |
| Cash | \$ 16,744 | \$ - | \$ (2) |
| Investments | - | 11,887 | 151,404 |
| Accounts receivable | - | - | - |
| Due from other funds | 1,032 | - | 44,860 |
| Due from other governmental agencies | - | - | - |
| TOTAL ASSETS | \$ 17,776 | \$ 11,887 | \$ 196,262 |
| LIABILITIES | | | |
| Accounts payable | \$ 339 | \$ - | \$ 663 |
| Benefits payable | - | - | 1,029 |
| Due to other funds | - | - | - |
| Deferred grant revenue | - | - | - |
| Total liabilities | 339 | - | 1,692 |
| FUND BALANCES | | | |
| Restricted | | | |
| Legislation | 17,437 | - | 194,570 |
| Federal and state grants | - | - | - |
| Committed | | | |
| Employee motivation | - | - | - |
| Donations | - | 11,887 | - |
| Total fund balances | 17,437 | 11,887 | 194,570 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 17,776 | \$ 11,887 | \$ 196,262 |

| <u>Sheriff Abell Hanger</u> | <u>Sheriff Local Drug Forfeiture</u> | <u>Sheriff Federal Forfeiture</u> | <u>Indigent Defense Improvement Grant</u> | <u>Office of Court Administration Grant</u> | <u>High Intensity Drug Trafficking Area</u> |
|-------------------------------------|--|---|---|---|---|
| \$ - | \$ - | \$ 1,621 | \$ 6,033 | \$ 1 | \$ - |
| 637 | 16,698 | 418,011 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 8,453 | - |
| <u>\$ 637</u> | <u>\$ 16,698</u> | <u>\$ 419,632</u> | <u>\$ 6,033</u> | <u>\$ 8,454</u> | <u>\$ -</u> |
| \$ - | \$ - | \$ 4,696 | \$ - | \$ 1,060 | \$ - |
| - | - | - | - | 632 | - |
| - | - | - | - | 6,780 | - |
| - | - | - | - | - | - |
| - | - | 4,696 | - | 8,472 | - |
| - | 16,698 | 414,936 | - | - | - |
| - | - | - | 6,033 | (18) | - |
| - | - | - | - | - | - |
| 637 | - | - | - | - | - |
| <u>637</u> | <u>16,698</u> | <u>414,936</u> | <u>6,033</u> | <u>(18)</u> | <u>-</u> |
| <u>\$ 637</u> | <u>\$ 16,698</u> | <u>\$ 419,632</u> | <u>\$ 6,033</u> | <u>\$ 8,454</u> | <u>\$ -</u> |

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2016

| | Other Victims' Assistance Grant | Truancy Court | Mental Health Deputies |
|--|--|------------------|------------------------------|
| ASSETS | | | |
| Cash | \$ - | \$ 650 | \$ 6,630 |
| Investments | - | - | - |
| Accounts receivable | - | - | - |
| Due from other funds | - | - | - |
| Due from other governmental agencies | 6,174 | - | 5,833 |
| TOTAL ASSETS | <u>\$ 6,174</u> | <u>\$ 650</u> | <u>\$ 12,463</u> |
| LIABILITIES | | | |
| Accounts payable | \$ 659 | \$ - | \$ 4,857 |
| Benefits payable | 1,139 | - | 7,606 |
| Due to other funds | 4,376 | - | - |
| Deferred grant revenue | - | - | - |
| Total liabilities | 6,174 | - | 12,463 |
| FUND BALANCES | | | |
| Restricted | | | |
| Legislation | - | - | - |
| Federal and state grants | - | - | - |
| Committed | | | |
| Employee motivation | - | - | - |
| Donations | - | 650 | - |
| Total fund balances | - | 650 | - |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 6,174</u> | <u>\$ 650</u> | <u>\$ 12,463</u> |

| <u>Texas VINE Grant</u> | <u>Crime Victim Services Grant</u> | <u>Donation SO Bulletproof Vest</u> | <u>Donation CIU Volunteer Support</u> | <u>Donation Teen Leadership Account</u> | <u>Donation Constable</u> |
|-----------------------------|--|---|---|---|-------------------------------|
| \$ - | \$ - | \$ 1 | \$ 1,860 | \$ 3,916 | \$ - |
| - | - | - | - | - | - |
| - | 1,249 | - | - | - | - |
| - | - | 22,699 | - | - | 10 |
| - | 7,458 | - | - | - | - |
| <u>\$ -</u> | <u>\$ 8,707</u> | <u>\$ 22,700</u> | <u>\$ 1,860</u> | <u>\$ 3,916</u> | <u>\$ 10</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | 1,057 | - | - | - | - |
| - | 7,650 | - | - | - | - |
| - | - | - | - | - | - |
| - | 8,707 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 22,700 | 1,860 | 3,916 | 10 |
| - | - | 22,700 | 1,860 | 3,916 | 10 |
| <u>\$ -</u> | <u>\$ 8,707</u> | <u>\$ 22,700</u> | <u>\$ 1,860</u> | <u>\$ 3,916</u> | <u>\$ 10</u> |

Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2016

| | Donation Fire Marshall | Title IV-E Federal Foster Care | Juvenile Probation State Grants |
|--|---------------------------|---|--|
| ASSETS | | | |
| Cash | \$ - | \$ - | \$ 15,042 |
| Investments | - | 195,567 | - |
| Accounts receivable | - | - | - |
| Due from other funds | - | - | - |
| Due from other governmental agencies | - | - | 98,890 |
| TOTAL ASSETS | \$ - | \$ 195,567 | \$ 113,932 |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ 54,542 |
| Benefits payable | - | - | - |
| Due to other funds | - | - | 59,390 |
| Deferred grant revenue | - | - | - |
| Total liabilities | - | - | 113,932 |
| FUND BALANCES | | | |
| Restricted | | | |
| Legislation | - | - | - |
| Federal and state grants | - | 195,567 | - |
| Committed | | | |
| Employee motivation | - | - | - |
| Donations | - | - | - |
| Total fund balances | - | 195,567 | - |
| TOTAL LIABILITIES AND FUND BALANCES | \$ - | \$ 195,567 | \$ 113,932 |

| <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> |
|--|---------------------------------------|-----------------------------|------------------------------|----------------------------------|--------------------------------|
| \$ 124 | \$ 658 | \$ 24,418 | \$ 148.00 | \$ 8,974 | \$ 124,000 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 135 | 10,000 | - | - | - |
| - | - | - | - | - | - |
| <u>\$ 124</u> | <u>\$ 793</u> | <u>\$ 34,418</u> | <u>\$ 148</u> | <u>\$ 8,974</u> | <u>\$ 124,000</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 124 | - | - | - | - | - |
| <u>124</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 793 | 34,418 | 148 | 8,974 | 124,000 |
| <u>-</u> | <u>793</u> | <u>34,418</u> | <u>148</u> | <u>8,974</u> | <u>124,000</u> |
| <u>\$ 124</u> | <u>\$ 793</u> | <u>\$ 34,418</u> | <u>\$ 148</u> | <u>\$ 8,974</u> | <u>\$ 124,000</u> |

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Midland County, Texas
 Nonmajor Governmental Funds
 Combining Balance Sheet – Continued
 September 30, 2016

| | <u>C.E.R.T.Z</u> | <u>Totals</u> |
|--|-------------------|---------------------|
| ASSETS | | |
| Cash | \$ - | \$ 303,127 |
| Investments | - | 3,824,871 |
| Accounts receivable | - | 20,946 |
| Due from other funds | - | 1,749,106 |
| Due from other governmental agencies | 492,190 | 626,884 |
| | <u>492,190</u> | <u>626,884</u> |
| TOTAL ASSETS | <u>\$ 492,190</u> | <u>\$ 6,524,934</u> |
| LIABILITIES | | |
| Accounts payable | \$ 15,098 | \$ 145,743 |
| Benefits payable | - | 27,333 |
| Due to other funds | 470,469 | 563,239 |
| Deferred grant revenue | - | 124 |
| | <u>-</u> | <u>124</u> |
| Total liabilities | 485,567 | 736,439 |
| FUND BALANCES | | |
| Restricted | | |
| Legislation | - | 5,140,322 |
| Federal and state grants | - | 201,582 |
| Committed | | |
| Employee motivation | - | 15,929 |
| Donations | 6,623 | 430,662 |
| | <u>6,623</u> | <u>430,662</u> |
| Total fund balances | 6,623 | 5,788,495 |
| | <u>6,623</u> | <u>5,788,495</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 492,190</u> | <u>\$ 6,524,934</u> |

Midland County, Texas

Nonmajor Governmental Funds – Combining Statement of Revenues, Expenditures and Changes in Fund Balance For the Fiscal Year Ended September 30, 2016

| | District Attorney Hot Check | Law Library | County Clerk Records Management |
|--|-----------------------------------|----------------|---------------------------------------|
| REVENUES | | | |
| Fines and forfeitures | \$ - | \$ - | \$ - |
| Intergovernmental | 22,500 | - | - |
| Charges for services | 29,606 | 112,579 | 389,597 |
| Investment income | - | - | 2,733 |
| Other revenue | - | - | - |
| Total revenues | 52,106 | 112,579 | 392,330 |
| EXPENDITURES | | | |
| Current | | | |
| General administration | - | - | - |
| Judicial | 56,645 | 134,392 | 123,713 |
| Financial administration | - | - | - |
| Elections | - | - | - |
| Public safety and corrections | - | - | - |
| Health and welfare | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | - | - | - |
| Total expenditures | 56,645 | 134,392 | 123,713 |
| Excess (deficiency) of revenues over (under) expenditures | (4,539) | (21,813) | 268,617 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | 21,812 | - |
| Operating transfers (out) | - | - | - |
| Total other financing sources (uses) | - | 21,812 | - |
| Net change in fund balances | (4,539) | (1) | 268,617 |
| Fund balances - beginning of year | 177,605 | 1 | 818,727 |
| FUND BALANCES - END OF YEAR | \$ 173,066 | \$ - | \$ 1,087,344 |

| <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> |
|---------------------------------|--|--|--------------------------------|---|--|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| 67,870 | 17,346 | 9,140 | 98,544 | 381,838 | 10,519 |
| 900 | - | 4 | 10 | 5,367 | 827 |
| - | - | - | - | 129,459 | - |
| <u>68,770</u> | <u>17,346</u> | <u>9,144</u> | <u>98,554</u> | <u>516,664</u> | <u>11,346</u> |
| - | - | - | - | - | - |
| 18,472 | 3,800 | - | 79,457 | 279,726 | 2,988 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 4,768 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 129,640 | - | - | - | 3,498 | - |
| <u>148,112</u> | <u>3,800</u> | <u>4,768</u> | <u>79,457</u> | <u>283,224</u> | <u>2,988</u> |
| (79,342) | 13,546 | 4,376 | 19,097 | 233,440 | 8,358 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| (79,342) | 13,546 | 4,376 | 19,097 | 233,440 | 8,358 |
| 346,904 | 126,048 | 16,950 | (1) | 1,015,129 | 153,374 |
| <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> |

Midland County, Texas

Nonmajor Governmental Funds – Combining Statement
of Revenues, Expenditures and Changes in Fund Balance – Continued
For the Fiscal Year Ended September 30, 2016

| | Voter Registration Chapter 19 | Employee Activity | Dealer Inventory |
|--|-------------------------------------|----------------------|---------------------|
| REVENUES | | | |
| Fines and forfeitures | \$ - | \$ - | \$ 2,108 |
| Intergovernmental | - | - | - |
| Charges for services | 17,754 | 9,574 | - |
| Investment income | - | 4 | 4,618 |
| Other revenue | - | - | - |
| Total revenues | 17,754 | 9,578 | 6,726 |
| EXPENDITURES | | | |
| Current | | | |
| General administration | - | 5,737 | - |
| Judicial | - | - | - |
| Financial administration | - | - | 3,968 |
| Elections | 17,754 | - | - |
| Public safety and corrections | - | - | - |
| Health and welfare | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | - | - | - |
| Total expenditures | 17,754 | 5,737 | 3,968 |
| Excess (deficiency) of revenues over (under) expenditures | - | 3,841 | 2,758 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | - | - |
| Operating transfers (out) | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balances | - | 3,841 | 2,758 |
| Fund balances - beginning of year | - | 12,088 | 28,323 |
| FUND BALANCES - END OF YEAR | \$ - | \$ 15,929 | \$ 31,081 |

| <u>Justice Court Building Security</u> | <u>Juvenile Case Management</u> | <u>County Attorney State Supplement</u> | <u>Truancy Prevention Fund</u> | <u>Juvenile Delinquency Prevention</u> | <u>Pre-Trial Intervention Program</u> |
|--|---|---|--|--|---|
| \$ 11,188 | \$ 55,944 | \$ - | \$ - | \$ - | \$ - |
| - | - | 70,000 | - | - | - |
| - | - | - | 10,660 | 20 | 240,735 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>11,188</u> | <u>55,944</u> | <u>70,000</u> | <u>10,660</u> | <u>20</u> | <u>240,735</u> |
| - | - | - | - | - | - |
| 1,195 | - | 75,803 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 70,895 | - | - | - | 200,052 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>1,195</u> | <u>70,895</u> | <u>75,803</u> | <u>-</u> | <u>-</u> | <u>200,052</u> |
| 9,993 | (14,951) | (5,803) | 10,660 | 20 | 40,683 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>9,993</u> | <u>(14,951)</u> | <u>(5,803)</u> | <u>10,660</u> | <u>20</u> | <u>40,683</u> |
| <u>(14,165)</u> | <u>14,951</u> | <u>30,468</u> | <u>15,268</u> | <u>95</u> | <u>339,417</u> |
| <u>\$ (4,172)</u> | <u>\$ -</u> | <u>\$ 24,665</u> | <u>\$ 25,928</u> | <u>\$ 115</u> | <u>\$ 380,100</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, 2016

| | Election Contracts | Unclaimed Juvenile Restitution | Court Records Preservation |
|--|-----------------------|--------------------------------------|----------------------------------|
| REVENUES | | | |
| Fines and forfeitures | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - |
| Charges for services | 41,866 | - | 32,886 |
| Investment income | - | - | - |
| Other revenue | - | 235 | - |
| Total revenues | 41,866 | 235 | 32,886 |
| EXPENDITURES | | | |
| Current | | | |
| General administration | - | - | - |
| Judicial | - | - | 3,400 |
| Financial administration | - | - | - |
| Elections | 38,061 | - | - |
| Public safety and corrections | - | - | - |
| Health and welfare | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | - | - | - |
| Total expenditures | 38,061 | - | 3,400 |
| Excess (deficiency) of revenues over (under) expenditures | 3,805 | 235 | 29,486 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | - | - |
| Operating transfers (out) | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balances | 3,805 | 235 | 29,486 |
| Fund balances - beginning of year | 63,633 | 259 | 145,663 |
| FUND BALANCES - END OF YEAR | \$ 67,438 | \$ 494 | \$ 175,149 |

| <u>Scofflaw Implementation Fee</u> | <u>Child Abuse Prevention</u> | <u>Appellate Justice System</u> | <u>Guardianship</u> | <u>Abandoned Motor Vehicles</u> | <u>Rabies Control</u> |
|--|---------------------------------------|---|---------------------|---|---------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | 11,962 | - | - |
| 539 | 1,376 | - | - | 12,265 | 1,500 |
| - | - | - | - | 310 | - |
| - | - | - | - | - | - |
| 539 | 1,376 | - | 11,962 | 12,575 | 1,500 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 31,098 | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | 31,098 | - |
| 539 | 1,376 | - | 11,962 | (18,523) | 1,500 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 539 | 1,376 | - | 11,962 | (18,523) | 1,500 |
| 13,951 | 5,968 | - | 76,155 | 46,263 | 62,145 |
| <u>\$ 14,490</u> | <u>\$ 7,344</u> | <u>\$ -</u> | <u>\$ 88,117</u> | <u>\$ 27,740</u> | <u>\$ 63,645</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, 2016

| | District Court Records Technology | County and District Court Technology | Justice Court Technology |
|--|--|---|--------------------------------|
| REVENUES | | | |
| Fines and forfeitures | \$ - | \$ - | \$ 44,867 |
| Intergovernmental | - | - | - |
| Charges for services | 31,098 | 7,850 | - |
| Investment income | - | - | - |
| Other revenue | - | - | - |
| Total revenues | 31,098 | 7,850 | 44,867 |
| EXPENDITURES | | | |
| Current | | | |
| General administration | - | - | - |
| Judicial | - | - | 29,206 |
| Financial administration | - | - | - |
| Elections | - | - | - |
| Public safety and corrections | - | - | - |
| Health and welfare | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | - | - | - |
| Total expenditures | - | - | 29,206 |
| Excess (deficiency) of revenues over (under) expenditures | 31,098 | 7,850 | 15,661 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | - | - |
| Operating transfers (out) | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balances | 31,098 | 7,850 | 15,661 |
| Fund balances - beginning of year | 99,628 | 35,045 | 286,976 |
| FUND BALANCES - END OF YEAR | \$ 130,726 | \$ 42,895 | \$ 302,637 |

| <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 Emergency Management</u> |
|--|--|--------------------------------|---|----------------------------------|---|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 5,500 | - | - | 40,420 | - | - |
| <u>5,500</u> | <u>-</u> | <u>-</u> | <u>40,420</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 5,712 | - | 19,184 | 42,483 | - | 6,865 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 12,344 | - | - | - |
| <u>5,712</u> | <u>-</u> | <u>31,528</u> | <u>42,483</u> | <u>-</u> | <u>6,865</u> |
| (212) | - | (31,528) | (2,063) | - | (6,865) |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| (212) | - | (31,528) | (2,063) | - | (6,865) |
| 15,282 | 500 | 172,206 | 59,330 | 481 | 6,915 |
| <u>\$ 15,070</u> | <u>\$ 500</u> | <u>\$ 140,678</u> | <u>\$ 57,267</u> | <u>\$ 481</u> | <u>\$ 50</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, 2016

| | L.E.O.S.E. Funds | District Attorney Victims of Crime | District Attorney Drug Forfeiture |
|--|-------------------------|---|--|
| REVENUES | | | |
| Fines and forfeitures | \$ - | \$ - | \$ 64,923 |
| Intergovernmental | 12,615 | - | - |
| Charges for services | - | - | - |
| Investment income | 31 | 6 | 428 |
| Other revenue | - | - | - |
| | <u>12,646</u> | <u>6</u> | <u>65,351</u> |
| EXPENDITURES | | | |
| Current | | | |
| General administration | - | - | - |
| Judicial | - | - | 41,369 |
| Financial administration | - | - | - |
| Elections | - | - | - |
| Public safety and corrections | 13,540 | - | - |
| Health and welfare | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | - | - | - |
| | <u>13,540</u> | <u>-</u> | <u>41,369</u> |
| Excess (deficiency) of revenues over (under) expenditures | (894) | 6 | 23,982 |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | - | - |
| Operating transfers (out) | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | (894) | 6 | 23,982 |
| Fund balances - beginning of year | <u>18,331</u> | <u>11,881</u> | <u>170,588</u> |
| FUND BALANCES - END OF YEAR | <u><u>\$ 17,437</u></u> | <u><u>\$ 11,887</u></u> | <u><u>\$ 194,570</u></u> |

| <u>Sheriff Abell Hanger</u> | <u>Sheriff Local Drug Forfeiture</u> | <u>Sheriff Federal Forfeiture</u> | <u>Indigent Defense Improvement Grant</u> | <u>Office of Court Administration Grant</u> | <u>High Intensity Drug Trafficking Area</u> |
|-------------------------------------|--|---|---|---|---|
| \$ - | \$ 1,687 | \$ 83,148 | \$ - | \$ - | \$ - |
| - | - | - | - | 24,985 | 6,826 |
| - | - | - | - | - | - |
| - | 46 | 1,279 | - | - | - |
| - | - | - | - | - | - |
| - | 1,733 | 84,427 | - | 24,985 | 6,826 |
| - | - | - | - | - | - |
| - | - | - | - | 25,003 | - |
| - | - | - | - | - | - |
| - | - | 56,062 | - | - | 6,826 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 48,863 | - | - | - |
| - | - | 104,925 | - | 25,003 | 6,826 |
| - | 1,733 | (20,498) | - | (18) | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | 1,733 | (20,498) | - | (18) | - |
| 637 | 14,965 | 435,434 | 6,033 | - | - |
| <u>\$ 637</u> | <u>\$ 16,698</u> | <u>\$ 414,936</u> | <u>\$ 6,033</u> | <u>\$ (18)</u> | <u>\$ -</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, 2016

| | Other Victims' Assistance Grant | Truancy Court | Mental Health Deputies |
|--|--|------------------|------------------------------|
| REVENUES | | | |
| Fines and forfeitures | \$ - | \$ - | \$ - |
| Intergovernmental | 30,057 | - | 70,001 |
| Charges for services | - | - | - |
| Investment income | - | - | - |
| Other revenue | - | 650 | - |
| Total revenues | 30,057 | 650 | 70,001 |
| EXPENDITURES | | | |
| Current | | | |
| General administration | - | - | - |
| Judicial | - | - | - |
| Financial administration | - | - | - |
| Elections | - | - | - |
| Public safety and corrections | - | - | - |
| Health and welfare | 30,057 | - | 360,822 |
| Culture and recreation | - | - | - |
| Capital outlay | - | - | - |
| Total expenditures | 30,057 | - | 360,822 |
| Excess (deficiency) of revenues over (under) expenditures | - | 650 | (290,821) |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | - | 290,821 |
| Operating transfers (out) | - | - | - |
| Total other financing sources (uses) | - | - | 290,821 |
| Net change in fund balances | - | 650 | - |
| Fund balances - beginning of year | - | - | - |
| FUND BALANCES - END OF YEAR | \$ - | \$ 650 | \$ - |

| <u>Texas VINE Grant</u> | <u>Crime Victim Services Grant</u> | <u>Donation SO Bulletproof Vest</u> | <u>Donation CIU Volunteer Support</u> | <u>Donation Teen Leadership Account</u> | <u>Donation Constable</u> |
|-----------------------------|--|---|---|---|-------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 23,765 | 45,027 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 10,550 | 150 | - | - |
| <u>23,765</u> | <u>45,027</u> | <u>10,550</u> | <u>150</u> | <u>-</u> | <u>-</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 8,030 | 81 | - | - |
| 23,765 | 45,028 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>23,765</u> | <u>45,028</u> | <u>8,030</u> | <u>81</u> | <u>-</u> | <u>-</u> |
| - | (1) | 2,520 | 69 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| - | (1) | 2,520 | 69 | - | - |
| - | 1 | 20,180 | 1,791 | 3,916 | 10 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 22,700</u> | <u>\$ 1,860</u> | <u>\$ 3,916</u> | <u>\$ 10</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, 2016

| | Donation Fire Marshall | Title IV-E Federal Foster Care | Juvenile Probation State Grants |
|--|---------------------------|---|--|
| REVENUES | | | |
| Fines and forfeitures | \$ - | \$ - | \$ - |
| Intergovernmental | - | 17,683 | 977,209 |
| Charges for services | - | - | - |
| Investment income | - | 994 | - |
| Other revenue | - | - | - |
| Total revenues | - | 18,677 | 977,209 |
| EXPENDITURES | | | |
| Current | | | |
| General administration | - | - | - |
| Judicial | - | - | - |
| Financial administration | - | - | - |
| Elections | - | - | - |
| Public safety and corrections | 1,244 | 57,170 | 977,209 |
| Health and welfare | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | - | - | - |
| Total expenditures | 1,244 | 57,170 | 977,209 |
| Excess (deficiency) of revenues over (under) expenditures | (1,244) | (38,493) | - |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating transfers in | - | - | - |
| Operating transfers (out) | - | - | - |
| Total other financing sources (uses) | - | - | - |
| Net change in fund balances | (1,244) | (38,493) | - |
| Fund balances - beginning of year | 1,244 | 234,060 | - |
| FUND BALANCES - END OF YEAR | \$ - | \$ 195,567 | \$ - |

| <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> |
|----------------------------------|-------------------------------|-------------------------|--------------------------|------------------------------|----------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 10,690 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 18,539 | - | 3,600 | - |
| <u>10,690</u> | <u>-</u> | <u>18,539</u> | <u>-</u> | <u>3,600</u> | <u>-</u> |
| - | - | - | - | - | 26,000 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 10,690 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 73 | - | - | - |
| - | - | - | - | - | - |
| <u>10,690</u> | <u>-</u> | <u>73</u> | <u>-</u> | <u>-</u> | <u>26,000</u> |
| - | - | 18,466 | - | 3,600 | (26,000) |
| - | - | - | - | - | 150,000 |
| - | - | - | - | - | - |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>150,000</u> |
| - | - | 18,466 | - | 3,600 | 124,000 |
| - | 793 | 15,952 | 148 | 5,374 | - |
| <u>\$ -</u> | <u>\$ 793</u> | <u>\$ 34,418</u> | <u>\$ 148</u> | <u>\$ 8,974</u> | <u>\$ 124,000</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, 2016

| | <u>C.E.R.T.Z</u> | <u>Totals</u> |
|--|------------------|---------------------|
| REVENUES | | |
| Fines and forfeitures | \$ - | \$ 263,865 |
| Intergovernmental | 492,190 | 1,815,510 |
| Charges for services | - | 1,525,162 |
| Investment income | - | 17,557 |
| Other revenue | - | 209,103 |
| | <u>492,190</u> | <u>3,831,197</u> |
| EXPENDITURES | | |
| Current | | |
| General administration | - | 31,737 |
| Judicial | - | 875,169 |
| Financial administration | - | 3,968 |
| Elections | - | 55,815 |
| Public safety and corrections | - | 1,511,909 |
| Health and welfare | - | 459,672 |
| Culture and recreation | - | 73 |
| Capital outlay | 585,381 | 779,726 |
| | <u>585,381</u> | <u>3,718,069</u> |
| Excess (deficiency) of revenues over (under) expenditures | (93,191) | 113,128 |
| OTHER FINANCING SOURCES (USES) | | |
| Operating transfers in | 123,048 | 585,681 |
| Operating transfers (out) | (23,234) | (23,234) |
| | <u>99,814</u> | <u>562,447</u> |
| Net change in fund balances | 6,623 | 675,575 |
| Fund balances - beginning of year | - | 5,112,920 |
| FUND BALANCES - END OF YEAR | <u>\$ 6,623</u> | <u>\$ 5,788,495</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, 2016

| | <u>Risk Management</u> | <u>Health Care</u> | <u>Fleet Maintenance</u> | <u>Total</u> |
|---------------------------|----------------------------|------------------------|------------------------------|---------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash | \$ 1,129 | \$ - | \$ 1 | \$ 1,130 |
| Investments | 5,070,694 | 3,084,216 | - | 8,154,910 |
| Accounts receivable | - | 46,559 | 3,965 | 50,524 |
| Due from other funds | 19,905 | 41,782 | 158,270 | 219,957 |
| Total current assets | 5,091,728 | 3,172,557 | 162,236 | 8,426,521 |
| Non current assets | | | | |
| Other assets | - | - | 26,662 | 26,662 |
| Total non current assets | - | - | 26,662 | 26,662 |
| TOTAL ASSETS | <u>\$ 5,091,728</u> | <u>\$ 3,172,557</u> | <u>\$ 188,898</u> | <u>\$ 8,453,183</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 73,376 | \$ 893,528 | \$ 46,498 | \$ 1,013,402 |
| TOTAL LIABILITIES | 73,376 | 893,528 | 46,498 | 1,013,402 |
| NET POSITION | | | | |
| Unrestricted | 5,018,352 | 2,279,029 | 142,400 | 7,439,781 |
| TOTAL NET POSITION | <u>\$ 5,018,352</u> | <u>\$ 2,279,029</u> | <u>\$ 142,400</u> | <u>\$ 7,439,781</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, 2016

| | Risk Management |
|-----------------------------------|----------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 1,041,400 |
| Total operating revenues | 1,041,400 |
| OPERATING EXPENSES | |
| Fleet maintenance | 20,979 |
| Claims expense | - |
| Administration costs | 293,811 |
| Premium cost | 725,469 |
| Professional services | 323 |
| Total operating expenses | 1,040,582 |
| Operating income (loss) | 818 |
| NONOPERATING REVENUES | |
| Investment income | 24,594 |
| Miscellaneous income | 62,074 |
| Total nonoperating revenues | 86,668 |
| Income (loss) before transfers | 87,486 |
| Transfers in (out) | (159,290) |
| Change in net position | (71,804) |
| Net position - beginning of year | 5,090,156 |
| NET POSITION - END OF YEAR | \$ 5,018,352 |

| Health Care | Fleet Maintenance | Totals |
|----------------|----------------------|--------------|
| \$ 8,178,680 | \$ 574,107 | \$ 9,794,187 |
| 8,178,680 | 574,107 | 9,794,187 |
| - | 557,971 | 578,950 |
| 6,420,050 | - | 6,420,050 |
| 827,200 | - | 1,121,011 |
| 666,126 | - | 1,391,595 |
| - | - | 323 |
| 7,913,376 | 557,971 | 9,511,929 |
| 265,304 | 16,136 | 282,258 |
| 8,929 | - | 33,523 |
| 3,575 | - | 65,649 |
| 12,504 | - | 99,172 |
| 277,808 | 16,136 | 381,430 |
| - | - | (159,290) |
| 277,808 | 16,136 | 222,140 |
| 2,001,221 | 126,264 | 7,217,641 |
| \$ 2,279,029 | \$ 142,400 | \$ 7,439,781 |

Midland County, Texas
Internal Service Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended September 30, 2016

| | Risk Management |
|---|----------------------------|
| | <hr/> |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash received from charges for services | \$ 1,041,400 |
| Cash paid for services | (862,562) |
| | <hr/> |
| Net cash provided by (used in) operating activities | 178,838 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | |
| Transfers in | (159,290) |
| | <hr/> |
| Net cash used in noncapital financing activities | (159,290) |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Reduction in capital assets | 159,290 |
| Purchase of investments | (265,168) |
| Investment income received | 24,594 |
| Miscellaneous income received | 62,074 |
| | <hr/> |
| Net cash used in investing activities | (19,210) |
| | <hr/> |
| Net change in cash | 338 |
| Cash and cash equivalents, beginning of year | 791 |
| | <hr/> |
| CASH AND CASH EQUIVALENTS, end of year | \$ 1,129 |
| | <hr/> <hr/> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | |
| Operating income (loss) | \$ 818 |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities | |
| Accounts receivable | - |
| Due from other funds | 165,962 |
| Accounts payable | 12,058 |
| | <hr/> |
| Total adjustments | 178,020 |
| | <hr/> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | \$ 178,838 |
| | <hr/> <hr/> |

| Health Care | Fleet Maintenance | Totals |
|----------------|----------------------|--------------|
| \$ 8,268,440 | \$ 570,142 | \$ 9,879,982 |
| (7,704,101) | (570,141) | (9,136,804) |
| 564,339 | 1 | 743,178 |
| - | - | (159,290) |
| - | - | (159,290) |
| - | - | 159,290 |
| (576,843) | - | (842,011) |
| 8,929 | - | 33,523 |
| 3,575 | - | 65,649 |
| (564,339) | - | (583,549) |
| - | 1 | 339 |
| - | - | 791 |
| \$ - | \$ 1 | \$ 1,130 |

| | | |
|------------|-----------|------------|
| \$ 265,304 | \$ 16,136 | \$ 282,258 |
| 89,760 | (3,965) | 85,795 |
| 106,056 | (13,195) | 258,823 |
| 103,219 | 1,025 | 116,302 |
| 299,035 | (16,135) | 460,920 |
| \$ 564,339 | \$ 1 | \$ 743,178 |

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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 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
Bail Security Fund
Sex Offender Caseload
DWI Repeat Offender Caseload

Midland County, Texas

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities

September 30, 2016

| | <u>District Clerk</u> | <u>County Clerk</u> | <u>District Attorney</u> | <u>Sheriff</u> |
|------------------------------------|----------------------------|----------------------------|------------------------------|----------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,309,959 | \$ 1,282,591 | \$ 41,824 | \$ 1,084,021 |
| Investments held in trust | 6,330,288 | 471,667 | - | - |
| Other receivables | 1,056 | 2,829 | - | - |
| Due from other funds | 155 | 10,026 | - | - |
| TOTAL ASSETS | <u><u>\$ 7,641,458</u></u> | <u><u>\$ 1,767,113</u></u> | <u><u>\$ 41,824</u></u> | <u><u>\$ 1,084,021</u></u> |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | 2,843 | 57,465 | - | 106,251 |
| Due to other governmental agencies | 155 | - | - | 15,425 |
| Other liabilities | - | 2,318 | - | 595,330 |
| Funds held for others | 7,638,460 | 1,707,330 | 41,824 | 367,015 |
| TOTAL LIABILITIES | <u><u>\$ 7,641,458</u></u> | <u><u>\$ 1,767,113</u></u> | <u><u>\$ 41,824</u></u> | <u><u>\$ 1,084,021</u></u> |

| <u>Justice of the Peace Precinct #1</u> | <u>Justice of the Peace Precinct #2</u> | <u>Justice of the Peace Precinct #3</u> | <u>Justice of the Peace Precinct #4</u> | <u>Juvenile Probation</u> | <u>Tax Assessor Collector</u> |
|---|---|---|---|-------------------------------|---------------------------------------|
| \$ 23,518 | \$ 14,897 | \$ 8,063 | \$ 16,512 | \$ 10,287 | \$ 830,215 |
| - | - | - | - | - | - |
| 1,568 | 2,120 | 1,010 | 282 | - | 361,680 |
| - | 245 | 638 | - | - | 143,286 |
| <u>\$ 25,086</u> | <u>\$ 17,262</u> | <u>\$ 9,711</u> | <u>\$ 16,794</u> | <u>\$ 10,287</u> | <u>\$ 1,335,181</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 16,607 | 12,612 | 7,749 | 7,410 | - | 422,514 |
| - | - | - | - | - | 255,124 |
| 263 | - | - | 1 | - | 14 |
| 8,216 | 4,650 | 1,962 | 9,383 | 10,287 | 657,529 |
| <u>\$ 25,086</u> | <u>\$ 17,262</u> | <u>\$ 9,711</u> | <u>\$ 16,794</u> | <u>\$ 10,287</u> | <u>\$ 1,335,181</u> |

Midland County, Texas

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities – Continued

September 30, 2016

| | Constable Precinct 3 | Constable Precinct 4 | Unclaimed Property Fund | Basic Security |
|------------------------------------|-------------------------|-------------------------|-------------------------------|-------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 2 | \$ 104 | \$ - | \$ 67,418 |
| Investments held in trust | - | - | 17,233 | - |
| Other receivables | - | - | - | - |
| Due from other funds | - | - | - | - |
| TOTAL ASSETS | \$ 2 | \$ 104 | \$ 17,233 | \$ 67,418 |
| LIABILITIES | | | | |
| Accounts payable | \$ - | \$ - | \$ - | \$ - |
| Due to other funds | - | - | - | 3,416 |
| Due to other governmental agencies | - | - | 10,073 | - |
| Other liabilities | 2 | 101 | 7,160 | - |
| Funds held for others | - | 3 | - | 64,002 |
| TOTAL LIABILITIES | \$ 2 | \$ 104 | \$ 17,233 | \$ 67,418 |

| <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> | <u>Bail Security Fund</u> |
|--|---|--|--|---|-----------------------------------|
| \$ 643,385 | \$ 19,299 | \$ 10,644 | \$ 24,525 | \$ - | \$ - |
| 1,585 | - | - | - | - | - |
| 109 | - | - | - | - | - |
| 183,658 | 14,752 | 73,409 | 52,287 | 30,319 | - |
| <u>\$ 828,737</u> | <u>\$ 34,051</u> | <u>\$ 84,053</u> | <u>\$ 76,812</u> | <u>\$ 30,319</u> | <u>\$ -</u> |
| \$ 7,040 | \$ - | \$ - | \$ - | \$ 726 | \$ - |
| 163,491 | 4,462 | 81,740 | 19,968 | 10,450 | - |
| 627,928 | 28,755 | - | 53,129 | 17,494 | - |
| 30,278 | 834 | 2,313 | 3,715 | 1,649 | - |
| - | - | - | - | - | - |
| <u>\$ 828,737</u> | <u>\$ 34,051</u> | <u>\$ 84,053</u> | <u>\$ 76,812</u> | <u>\$ 30,319</u> | <u>\$ -</u> |

Midland County, Texas

Agency Funds

Combining Statement of Fiduciary Assets and Liabilities – Continued

September 30, 2016

| | Sex Offender Caseload | DWI Repeat Offender Caseload | Totals |
|------------------------------------|-----------------------------|------------------------------------|----------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 5,387,264 |
| Investments held in trust | - | - | 6,820,773 |
| Other receivables | - | - | 370,654 |
| Due from other funds | 30,000 | 41,956 | 580,731 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL ASSETS | <u>\$ 30,000</u> | <u>\$ 41,956</u> | <u>\$ 13,159,422</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ - | \$ 7,766 |
| Due to other funds | 5,568 | 7,260 | 929,806 |
| Due to other governmental agencies | 23,294 | 33,213 | 1,064,590 |
| Other liabilities | 1,138 | 1,483 | 646,599 |
| Funds held for others | - | - | 10,510,661 |
| | <u> </u> | <u> </u> | <u> </u> |
| TOTAL LIABILITIES | <u>\$ 30,000</u> | <u>\$ 41,956</u> | <u>\$ 13,159,422</u> |

Statistical Data

(Unaudited)

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Midland County, Texas
 Net Asset Information¹
 Last Ten Fiscal Years

Table 1

| | Fiscal Year | | | | | | | | | |
|---|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Governmental activities: | | | | | | | | | | |
| Invested in capital assets, net of related debt | \$ 41,600,943 | \$ 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 |
| Restricted, debt service, legislation, and grants | 290,012 | 334,702 | - | - | 439,114 | 515,403 | 6,875,870 | 5,152,937 | 6,191,586 | 16,866,784 |
| Unrestricted | 46,236,268 | 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 |
| Total governmental activities net assets | \$ 88,127,223 | \$ 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 |

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 level.

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

Table 2

| | Fiscal Year | | | | | | | | | |
|---|----------------------|----------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| PROGRAM REVENUES | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Fees, fines, and charges for services: | | | | | | | | | | |
| General administration | \$ 852,800 | \$ 657,461 | \$ 645,373 | \$ 659,537 | \$ 775,489 | \$ 970,332 | \$ 1,150,868 | \$ 1,202,492 | \$ 1,159,848 | \$ 1,119,566 |
| Judicial | 5,610,758 | 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 |
| Elections | 29,581 | 38,585 | 43,444 | 39,300 | 36,258 | 43,527 | 68,619 | 51,806 | 15,571 | 40 |
| Public safety and corrections | 1,158,026 | 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 |
| Health and welfare | 23,225 | 25,000 | 33,268 | 26,875 | 26,500 | 24,800 | 17,500 | 23,275 | 30,850 | 32,000 |
| Culture and recreation | 184,077 | 253,525 | 313,888 | 41,782 | 315,229 | 393,712 | 419,895 | 27,237 | 105,803 | 19,996 |
| Highways and roads | 2,557,178 | 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 |
| Operating grants and contributions | 1,712,774 | 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 |
| Capital grants and contributions | - | 596,536 | 109,478 | - | 20,000 | 17,502 | 69,987 | 3,814,514 | - | - |
| Total primary government program revenues | 12,128,419 | 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 |
| EXPENSES | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General administration | 5,018,395 | 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 |
| Judicial | 9,404,107 | 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 |
| Financial administration | 1,983,328 | 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 |
| Elections | 361,518 | 639,164 | 446,817 | 505,182 | 446,412 | 571,875 | 506,899 | 564,981 | 487,880 | 560,889 |
| Public safety and corrections | 16,129,867 | 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 |
| Health and welfare | 305,340 | 1,442,134 | 872,397 | 824,170 | 703,140 | 788,022 | 979,296 | 2,515,521 | 1,257,712 | 1,188,446 |
| Culture and recreation | 2,811,288 | 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 |
| Conservation and natural resources | 228,454 | 226,154 | 198,467 | 238,694 | 223,153 | 223,305 | 178,396 | 2,167,721 | 2,519,168 | 163,249 |
| Highways and roads | 2,325,364 | 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 |
| Interest on long-term debt | 511,488 | 479,385 | 867,549 | 1,529,113 | 1,272,932 | 1,271,344 | 1,220,125 | 906,326 | 831,023 | 749,969 |
| Total primary government expenses | 39,079,149 | 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 |
| NET EXPENSE | | | | | | | | | | |
| Governmental activities | (26,950,730) | (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) |
| Total primary government net expense | (26,950,730) | (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) |
| GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | 19,974,748 | 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 |
| Sales tax | 16,075,863 | 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 |
| Bingo tax | 59,877 | 104,935 | 81,934 | 85,129 | 94,410 | 118,837 | 132,391 | 132,239 | 120,486 | 106,714 |
| Mixed beverage tax | 246,808 | 457,680 | 397,514 | 419,508 | 436,503 | 458,722 | 535,106 | 753,884 | 799,928 | 751,591 |
| Occupancy tax | 57,708 | 373,465 | 351,198 | 310,784 | 494,607 | 708,461 | 838,466 | 990,278 | 3,437,870 | 2,506,614 |
| Unrestricted investment earnings | 2,237,413 | 1,744,727 | 852,730 | 499,822 | 252,690 | 255,530 | 386,454 | 386,725 | 488,116 | 628,335 |
| Gain on sale of assets | - | 41,710 | - | - | - | - | 2,309,548 | - | - | - |
| Miscellaneous | 307,846 | 775,189 | 492,028 | 715,000 | 871,214 | 1,241,190 | 754,050 | 856,564 | 957,408 | 1,363,020 |
| Total governmental activities | 38,960,263 | 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 |
| CHANGE IN NET ASSETS | | | | | | | | | | |
| Governmental activities | 12,009,533 | 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 |
| TOTAL PRIMARY GOVERNMENT | \$ 12,009,533 | \$ 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 |

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 | | | | | | | | | |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| GENERAL FUND: | | | | | | | | | | |
| Reserved | \$ 371,250 | \$ 427,825 | \$ 402,973 | \$ 112,354 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Unreserved | 32,137,292 | 35,019,362 | 36,961,858 | 38,659,881 | - | - | - | - | - | - |
| Nonspendable | - | - | - | - | 72,757 | 23,340 | 12,917 | 129,295 | 32,095 | 36,551 |
| Restricted | - | - | - | - | 494,607 | 708,461 | 838,466 | 990,278 | 1,081,530 | 695,480 |
| 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 |
| Unassigned | - | - | - | - | 27,400,331 | 31,177,360 | 31,052,919 | 28,312,942 | 33,600,772 | 47,527,486 |
| Total general fund | 32,508,542 | 35,447,187 | 37,364,831 | 38,772,235 | 55,766,108 | 66,289,540 | 69,975,419 | 66,099,192 | 69,352,921 | 65,952,197 |
| ALL OTHER GOVERNMENTAL FUNDS: | | | | | | | | | | |
| Reserved | 755,605 | 434,493 | 355,992 | 1,288,660 | - | - | - | - | - | - |
| Unreserved, reported in: | | | | | | | | | | |
| Road and bridge fund | 2,522,149 | 2,708,620 | 2,610,223 | 2,395,820 | - | - | - | - | - | - |
| Capital projects fund | 407,115 | 4,840,875 | 26,234,801 | 15,688,318 | - | - | - | - | - | - |
| Nonmajor governmental funds | 2,752,969 | 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 |
| Restricted | - | - | - | - | 1,550,865 | 1,958,108 | 1,806,167 | 2,075,488 | 5,335,304 | 9,120,890 |
| 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 |
| 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 |
| Nonmajor governmental funds | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | 884 | 2,440 | 4,666 | 125 | - |
| Restricted | - | - | - | - | 2,294,315 | 2,511,462 | 3,080,721 | 4,162,659 | 4,784,067 | 5,341,904 |
| Committed | - | - | - | - | 895,305 | 84,234 | 292,723 | 287,550 | 328,728 | 446,591 |
| Assigned | - | - | - | - | - | 913,148 | 467,306 | - | - | - |
| Total all other governmental funds | 6,437,838 | 11,004,458 | 32,295,455 | 22,021,467 | 11,439,607 | 20,175,212 | 31,872,394 | 26,890,198 | 20,367,743 | 25,090,065 |
| TOTAL GOVERNMENTAL FUNDS | \$ 38,946,380 | \$ 46,451,645 | \$ 69,660,286 | \$ 60,793,702 | \$ 67,205,715 | \$ 86,464,752 | \$ 101,847,813 | \$ 92,989,390 | \$ 89,720,664 | \$ 91,042,262 |

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 | | | | | | | | | |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|----------------------|----------------------|-----------------------|-----------------------|----------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| REVENUES | | | | | | | | | | |
| Property tax, penalties and interest | \$ 19,872,329 | \$ 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 |
| Sales tax | 16,075,863 | 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 |
| Hotel-motel tax | - | 373,465 | 351,198 | 310,784 | 494,607 | 708,461 | 838,466 | 990,278 | 1,081,530 | 695,480 |
| Fines and forfeitures | 2,268,117 | 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 |
| Licenses and permits | 2,802,386 | 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 |
| Intergovernmental charges | 1,875,990 | 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 |
| Charges for current services | 4,606,567 | 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 |
| Investment income | 2,059,858 | 1,613,680 | 813,005 | 489,633 | 245,318 | 244,947 | 377,277 | 376,896 | 481,097 | 594,812 |
| Other revenue | 788,040 | 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 |
| Total revenues | \$ 50,349,150 | \$ 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 |
| EXPENDITURES | | | | | | | | | | |
| Current | | | | | | | | | | |
| General administration | \$ 4,322,255 | \$ 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 |
| Judicial | 9,275,626 | 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 |
| Financial administration | 1,945,522 | 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 |
| Elections | 305,555 | 586,315 | 392,544 | 456,938 | 396,294 | 525,992 | 497,847 | 557,381 | 487,880 | 560,854 |
| Public safety and corrections | 15,764,953 | 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 |
| Health and welfare | 294,213 | 1,431,383 | 846,705 | 801,852 | 688,733 | 771,465 | 959,450 | 2,493,446 | 1,248,439 | 1,171,988 |
| Culture and recreation | 2,327,600 | 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 |
| Conservation and natural resources | 212,250 | 213,994 | 186,067 | 233,535 | 220,514 | 219,145 | 171,080 | 126,123 | 135,311 | 152,177 |
| Highways and roads | 2,053,548 | 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 |
| Capital outlay | 6,132,830 | 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 |
| Debt service | 1,174,520 | 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 |
| Total expenditures | \$ 43,808,872 | \$ 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 |
| 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 | 5,205,212 | 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 |
| Transfers (out) | (5,755,212) | (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) |
| Total other financing sources (uses) | \$ (550,000) | \$ 183,512 | \$ 22,096,927 | \$ (1,623,013) | \$ (1,069,989) | \$ (984,000) | \$ 2,747,452 | \$ (999,788) | \$ (577,569) | \$ 182,101 |
| NET CHANGE IN FUND BALANCES | \$ 5,990,278 | \$ 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 |
| Debt service as a percent of non-capital expenditures | 3.12% | 2.95% | 3.55% | 5.62% | 5.43% | 5.30% | 4.69% | 12.78% | 2.69% | 2.57% |

Source: Current and past years' financial statements

Midland County, Texas
 Assessed Value of Taxable Property
 Last Ten Fiscal Years

Table 5

| <u>Fiscal Year</u> | <u>Real Property</u> | <u>Personal Property</u> | <u>Total Assessed Value</u> | <u>Total Direct Tax Rate</u> |
|--------------------|----------------------|--------------------------|-----------------------------|------------------------------|
| 2007 | 6,299,486,330 | 1,548,889,200 | 7,848,375,530 | 0.248772 |
| 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 |

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 |
| 2006 | 0.2707 | - | 0.0150 | 0.2885 | 1.6275 | 0.6420 | 0.1684 | 0.2247 | | 2.9511 |
| 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 | 0.14225 | 0.19112 | | 2.2705 |
| 2009 | 0.1968 | - | 0.0107 | 0.2075 | 1.1651 | 0.4859 | 0.1202 | 0.1729 | | 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 |

Source: Midland County Budget

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

Table 7

| 2016 | | | 2007 | | |
|-----------------------------------|-------------------------|--|------------------------------------|-------------------------|--|
| Taxpayer | Taxable Assessed Value | Percentage of Total Taxable Assessed Value | Taxpayer | Taxable Assessed Value | Percentage of Total Taxable Assessed Value |
| Pioneer Natural Res -WI- | \$ 599,352,240 | 2.82% | Pioneer Natural Resources | \$ 568,900,801 | 7.25% |
| Diamondback E&P LLC | 223,254,060 | 1.05% | Chevron USA Inc | 174,540,953 | 2.22% |
| Chevron USA Inc | 216,920,420 | 1.02% | Endeavor Energy Resources LP | 153,530,940 | 1.96% |
| XTO Energy Inc | 201,346,530 | 0.95% | LCX Energy LLC | 136,819,192 | 1.74% |
| Propetro Services (VEH) | 176,548,650 | 0.83% | BP America Production Company | 77,701,554 | 0.99% |
| Fasken Oil & Ranch LTD | 153,135,530 | 0.72% | Dawson Geophysical | 66,965,679 | 0.85% |
| Endeavor Energy Resources LP | 149,364,620 | 0.70% | TXU Electric Delivery Cp | 62,313,721 | 0.79% |
| COG Operating LLC | 121,477,800 | 0.57% | Henry Petroleum LP | 56,593,206 | 0.72% |
| Pioneer Natural Resources USA Inc | 120,688,500 | 0.57% | Southwestern Bell Telephone | 45,809,987 | 0.58% |
| Basic Energy Services | 109,839,460 | 0.52% | Mobil Production TX & NM - DEV/GAS | 43,727,445 | 0.56% |
| Total | \$ 2,071,927,810 | 9.76% | 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, 2007 through 2016

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 |
| 2007 | 7,848,375,530 | \$ 0.248772 | 19,524,561 | 4,290,975 | 21.98% | 14,741,485 | 75.50% | 492,101 | 2.52% |
| 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% |

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> |
|--------------------|---------------------------------------|-------------------------------------|--|-------------------|
| 2007 | 10,450,000 | 10,450,000 | 0.13% | 83.04 |
| 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% | 109.668 |

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 |
|--------------------|-------------------|-----------------------|--------------------------|--------------------------------------|------------------------|---|-----------------------------------|
| 2007 | 126,801 | 7,848,375,530 | 10,450,000 | 290,013 | 10,159,987 | 0.129 | 80.13 |
| 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 |

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, 2016

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 | \$ 119,420,000 | 100% | \$ 119,420,000 |
| Midland Independent School District | 248,822,488 | 100% | 248,822,488 |
| Midland Community College | 26,470,703 | 100% | 26,470,703 |
| Midland County Hospital District | 101,115,000 | 100% | 101,115,000 |
| Greenwood Independent School District | 59,365,000 | 100% | 59,365,000 |
| City of Odessa | 75,681,687 | 8% | 6,155,927 |
| Subtotal, overlapping debt | | | 561,349,118 |
| Midland County (direct debt) | | | 17,665,000 |
| Total direct and overlapping debt | | | \$ 579,014,118 |

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 debt, of each overlapping government.

Midland County, Texas
Debt Limitations
Last Ten Fiscal Years

Table 12

| | Fiscal Year | | | | | | | | | |
|---|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Debt Limit | \$ 1,574,871,583 | \$ 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 |
| Total net debt applicable to limit | 10,159,988 | 8,690,297 | 30,673,176 | 29,770,364 | 28,502,532 | 27,171,700 | 19,560,165 | 18,694,580 | 17,740,100 | 16,577,598 |
| Debt margin | <u>\$ 1,564,711,595</u> | <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> |
| Total net debt applicable to the limit as a percentage of debt limit | 0.65% | 0.48% | 1.44% | 1.32% | 1.14% | 1.03% | 0.61% | 0.52% | 0.44% | 0.41% |
| Debt Margin Calculation for Fiscal Year 2010 | | | | | | | | | | |
| Assessed Value of Real Property | \$ 16,168,763,412 | | | | | | | | | |
| Assessed Value of Personal & Other Property | 6,092,448,580 | | | | | | | | | |
| Total Assessed Value | <u>\$ 22,261,211,992</u> | | | | | | | | | |
| Debt Limit, 25% of Real Property Assessed Value (1) | \$ 4,042,190,853 | | | | | | | | | |
| Amount of Debt Applicable to Debt Limit: | | | | | | | | | | |
| Total Bonded Debt | | | | | | | | | | |
| Less: Assets in Debt Service Funds Available for Payment of Principal | | | | | | | | | | |
| Total Amount of Debt Applicable to Debt Limit | 16,577,598 | | | | | | | | | |
| Legal Debt Margin | <u>\$ 4,025,613,255</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, Texas
 Demographic and Economic Statistics
 Last Ten Fiscal Years

Table 13

| Fiscal Year | Population | Personal Income (in thousands) | Per Capita Personal Income | Unemployment Rate Percentage |
|--------------------|-------------------|---------------------------------------|-----------------------------------|-------------------------------------|
| 2007 | 125,844 | 8,124,295 | 64,588 | 2.9 |
| 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 | 5.0 |
| 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 |

Sources: Population figures for 2015 and 2016 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 | | | | |
|------------------------------------|--------------|------------|--------------|------------|------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| General administration | 28 | 144.5 | 151.5 | 148 | 28 |
| Judicial | 141.5 | 39 | 40.5 | 50 | 145 |
| Financial administration | 42 | 29.5 | 29 | 29.5 | 44 |
| Elections | 5.5 | 5.5 | 5 | 5.5 | 5 |
| Public safety and corrections | 302 | 318 | 259 | 273.5 | 276 |
| Health and welfare | 3 | 2 | 4 | 3 | 3 |
| Culture and recreation | 33.5 | 40.5 | 43.5 | 45.5 | 34 |
| Conservation and natural resources | 6 | 2 | 4 | 3 | 1 |
| Highways and roads | 29 | 28 | 26 | 30 | 31 |
| Total | 590.5 | 609 | 562.5 | 588 | 567 |

Source: Midland County Treasurers Office

Midland County, Texas
 Operation Indications Information
 Last Five Fiscal Years

Table 15

| FUNCTION / PROGRAM | Fiscal Year | | | | |
|--|-------------|--------|--------|--------|--------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| GENERAL GOVERNMENT | | | | | |
| Commissioners Court | | | | | |
| Number of Official Public Meetings | | | | | |
| Regular Sessions | 26 | 24 | 25 | 22 | 22 |
| Special Sessions (Work Sessions) | 8 | 5 | 10 | 10 | 5 |
| PUBLIC SAFETY | | | | | |
| Inmates Booked | 11,233 | 11,140 | 10,974 | 10,755 | 14,845 |
| Arrests | 13,322 | 12,646 | 12,943 | 12,098 | 13,247 |
| JUDICIAL | | | | | |
| District Courts | | | | | |
| Civil Cases Filed | 1,160 | 1,053 | 1,617 | 2,565 | 1468 |
| Civil Cases Disposed | 978 | 1,107 | 2,097 | 1,227 | 1353 |
| Criminal Cases Filed | 2,710 | 1,673 | 1,771 | 1,944 | 2114 |
| Criminal Cases Disposed | 1,696 | 2,117 | 1,104 | 2,202 | 2567 |
| County Courts-at-Law | | | | | |
| Civil Cases Filed | 748 | 919 | 1,166 | 913 | 1,104 |
| Civil Cases Disposed | 604 | 633 | 762 | 700 | 783 |
| Criminal Cases Filed | 4,556 | 4,373 | 4,457 | 4,034 | 3,978 |
| Criminal Cases Disposed | 4,868 | 5,658 | 4,755 | 4,085 | 4,020 |
| Juvenile Cases Filed | 52 | 132 | 100 | 133 | 94 |
| Juvenile Cases Disposed | 112 | 105 | 120 | 143 | 62 |
| Probate and Mental Health Cases Filed | 468 | 486 | 503 | 593 | 600 |
| Probate and Mental Health Cases Disposed | 48 | 13 | 59 | 91 | 147 |
| Justice of the Peace Courts | | | | | |
| Civil Cases Filed | 1,079 | 923 | 669 | 1,394 | 1,652 |
| Civil Cases Disposed | 882 | 853 | 605 | 1,040 | 1,320 |
| Criminal Cases Filed | 13,224 | 14,898 | 10,449 | 17,104 | 9,974 |
| Criminal Cases Disposed | 12,796 | 14,766 | 10,021 | 14,032 | 13,488 |
| Juvenile Cases Filed | - | 1,470 | 131 | 441 | 445 |
| CULTURE AND RECREATION | | | | | |
| Events Held | 165 | 164 | 153 | 187 | 166 |
| ELECTIONS | | | | | |
| Number of Registered Voters | 72,012 | 73,093 | 72,059 | 75,472 | 76,808 |
| HIGHWAYS | | | | | |
| Permits Granted | 186 | 174 | 180 | 215 | 212 |
| Work Requests | 114 | 74 | 121 | 189 | 93 |

Sources: Office of Court Administration and various county departments

Midland County, Texas
 Capital Assets Information By Function/Program
 Last Five Years

Table 15

| FUNCTION / PROGRAM | Fiscal Years | | | | | |
|----------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| BUILDINGS | | | | | | |
| General admin | 1 | 1 | 1 | 1 | 1 | 2 |
| Judicial | 3 | 4 | 4 | 4 | 4 | 2 |
| Public safety | 5 | 5 | 5 | 5 | 5 | 9 |
| Highways | 1 | 1 | 1 | 1 | 1 | 1 |
| Culture and recreation | 6 | 6 | 7 | 7 | 8 | 7 |
| Health & Welfare | 1 | 1 | 1 | 1 | 1 | 1 |
| PATROL CARS | 31 | 31 | 29 | 29 | 33 | 32 |
| ELECTIONS | | | | | | |
| Electronic voting machines | 252 | 272 | 270 | 270 | 270 | 272 |
| HIGHWAYS | | | | | | |
| Miles of roads maintained | 364 | 364 | 364 | 383 | 383 | 410 |

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 year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 21, 2017.

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.

To Honorable County Judge and
Commissioners Court of Midland County

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 21, 2017



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 year ended September 30, 2016. 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 year ended September 30, 2016.

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 21, 2017

Midland County, Texas
 Schedule of Expenditures of State Awards
 For the Fiscal Year Ended September 30, 2016

| 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 | 1661602 | \$ 23,883 |
| FY 2016-2017 Victim Coordinator and Liaison Grant (VCLG) | N/A | 1772490 | 6,174 |
| FY 2015-2016 Victim Coordinator and Liaison Grant (VCLG) | N/A | 1661701 | 37,597 |
| FY 2016-2017 Victim Coordinator and Liaison Grant (VCLG) | N/A | 1772482 | 7,428 |
| Total Crime Victim Services | | | 75,082 |
| <u>Office of the Attorney General</u> | | | |
| FY 2016 Texas VINE Annual Maintenance Grant (VINE) | N/A | 1660216 | 21,785 |
| FY 2017 Texas VINE Annual Maintenance Grant (VINE) | N/A | 1771419 | 1,980 |
| Total Office of the Attorney General | | | 23,765 |
| <u>Office of Court Administration</u> | | | |
| Presiding Judges Assistance Project | N/A | 16-028 | 17,299 |
| Indigent Defense FY2016 Formula Grant | N/A | 121-16-165 | 143,342 |
| Total Office of Court Administration | | | 160,641 |
| <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 | 486,892 |
| Total Texas Department of Criminal Justice | | | 486,892 |
| <u>Texas State Library and Archives Commission</u> | | | |
| Family Place Libraries Project | NA | NA | 6,000 |
| Total Texas State Library and Archives Commission | | | 6,000 |
| <u>Office of the Governor</u> | | | |
| Wraparound Project | NA | 3115601 | 5,416 |
| Total Office of the Governor | | | 5,416 |
| Total State Grant Expenditures | | | \$ 827,796 |

Midland County, Texas

Notes to Schedule of Expenditures of State Awards
For the Fiscal Year Ended September 30, 2016

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, 2016.

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.

Midland County, Texas

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

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, 2016

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, 2016

None

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