

*Financial Report of*  
**COUNTY OF COKE**

Robert Lee, Texas

**Year Ended September 30, 2017**

COUNTY OF COKE  
Annual Financial Report  
Year Ended September 30, 2017

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FINANCIAL SECTION

# **Eckert & Company**

**CERTIFIED PUBLIC ACCOUNTANTS**

A Limited Liability Partnership

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable County Judge  
and Commissioners' Court  
County of Coke  
13 East 7th Street  
Robert Lee, TX 76945

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

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Section I., Note C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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. 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 County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Coke, Texas, as of September 30, 2017, and the respective changes in modified cash-basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

***Basis of Accounting***

We draw attention to Section I., Note C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

***Other Matters***

***Other Information***

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information for the Texas County & District Retirement System on pages 3 through 6, 31 through 32, and 33 through 35, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this 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.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Coke's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

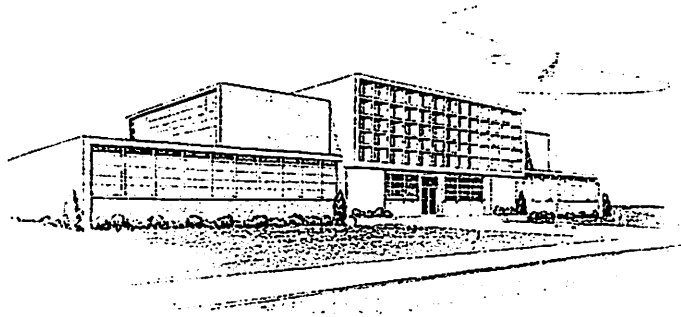
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2017, on our consideration of the County of Coke's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Coke's internal control over financial reporting and compliance.

***Eckert & Company, LLP***

December 28, 2017



# COKE COUNTY

ROBERT LEE, TEXAS 76945

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Coke's financial performance provides an overview of the County's financial activities for the year ended September 30, 2017, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

### Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities at the end of the current year by \$5,713,355 (net position). Of this amount, \$3,738,202 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$113,850 or 2% as a result of current year operations. The County's statement of activities shows total revenues of \$2,584,310 and total expenses of \$2,470,460.

The total fund balance of the General Fund is \$2,366,669 which is a decrease of \$165,574 or 7% compared to the prior year.

### Overview of the Financial Statements

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

The statement of net position presents information on all of the County's assets and liabilities resulting from the use of the modified cash basis of accounting, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, justice system, public safety, health and welfare, and culture and recreation, as well as general administrative and support services.

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Overview of the Financial Statements - Continued

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund and the Road and Bridge Fund, both of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund and Special Revenue Funds.

**Fiduciary Funds** - Fiduciary funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

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

### Government-Wide Financial Analysis

**Net Position** - A summary of the County's net position is presented below:

#### NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	September 30,	
	2017	2016
Current and Other Assets	\$ 3,738,202	\$ 3,870,522
Capital Assets	1,975,153	1,728,983
Total Assets	\$ 5,713,355	\$ 5,599,505
Liabilities	\$ 0	\$ 0
Net Position		
Net Investment in Capital Assets	\$ 1,975,153	\$ 1,728,983
Unrestricted	3,738,202	3,870,522
Total Net Position	\$ 5,713,355	\$ 5,599,505

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Government-Wide Financial Analysis - Continued

A large portion of the County's net position resulting from modified cash basis transactions (\$1,975,153) reflects the County's investment in capital assets. These assets are not available for future spending. The remaining balance of unrestricted net position (\$3,738,202) may be used to meet the County's ongoing obligations.

**Governmental Activities** - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$113,850 and \$1,102,964 for the fiscal years ended September 30, 2017 and 2016, respectively. Key elements of these increases are as follows:

#### CHANGES IN NET POSITION - MODIFIED CASH BASIS

	Governmental Activities	
	Year Ended September 30,	
	2017	2016
Revenues		
Program Revenues		
Charges for Services	\$ 566,096	\$ 604,840
Operating Grants and Contributions	62,271	85,346
Capital Grants and Contributions	78,281	504,400
General Revenues		
Maintenance and Operations Taxes	1,843,876	2,279,437
Investment Earnings	13,648	15,289
Other Revenues	20,138	111,389
Total Revenues	<u>\$ 2,584,310</u>	<u>\$ 3,600,701</u>
Expenses		
General Government	\$ 1,065,606	\$ 1,108,095
Roads and Bridges	405,047	319,820
Justice System	198,717	214,997
Public Safety	512,007	558,776
Health and Welfare	58,748	70,526
Culture and Recreation	230,335	225,523
Total Expenses	<u>\$ 2,470,460</u>	<u>\$ 2,497,737</u>
Change in Net Position	\$ 113,850	\$ 1,102,964
Net Position - Beginning	5,599,505	4,662,554
Prior Period Adjustments	0	(166,013)
Net Position - Ending	<u>\$ 5,713,355</u>	<u>\$ 5,599,505</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

### Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$3,738,202, a decrease of \$132,320 or 3% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$2,366,669. All of this balance is unassigned.

Special Revenue Funds \$1,371,533. All of these balances are committed to special programs.

### General Fund Budget

The original budget for the General Fund was \$2,041,058, and the final amended budget was \$2,040,998 which represents a \$60 decrease in appropriations. Variances between the original budget and the final amended budget are shown on page 31 in the other information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$2,118,395 for the fiscal year 2018, which is an increase of \$77,397 from the fiscal year 2017.

### Capital Assets and Debt - Modified Cash Basis

**Capital Assets** - Financial statement footnote III., C. discloses the County's capital asset activity for the year ended September 30, 2017.

**Long-Term Debt** - The County had no long-term debt outstanding.

### Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Roy Blair, County Judge, County of Coke, 13 East 7<sup>th</sup> Street, Robert Lee, TX 76945.

Basic Financial Statements

COUNTY OF COKE  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
SEPTEMBER 30, 2017

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 3,694,834
Due from Fiduciary Funds	43,368
Capital Assets:	
Land	15,000
Infrastructure (Net)	826,398
Buildings and Improvements (Net)	422,563
Machinery and Equipment (Net)	711,192
Total Assets	<u>5,713,355</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,975,153
Unrestricted	3,738,202
Total Net Position	<u>\$ 5,713,355</u>

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

COUNTY OF COKE  
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

		Program Revenues	
		Charges for Services	Operating Grants and Contributions
	Expenses		
<b>Primary Government:</b>			
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 1,065,606	\$ 233,310	\$ 24,252
Public Safety	512,007	4,754	11,000
Roads and Bridges	405,047	232,950	12,819
Health and Welfare	58,748	38,033	6,292
Culture and Recreation	230,335	14,262	-
Justice System	198,717	42,787	7,908
<b>TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 2,470,460</b>	<b>\$ 566,096</b>	<b>\$ 62,271</b>

General Revenues:

Property Taxes, Levied for General Purposes

Investment Earnings

Miscellaneous Revenue

Total General Revenues

Change in Net Position

Net Position-- Beginning

Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position	
Capital Grants and Contributions	Primary Government Governmental

\$	-	\$	(808,044)
	-		(496,253)
	78,281		(80,997)
	-		(14,423)
	-		(216,073)
	-		(148,022)
\$	78,281		(1,763,812)

1,843,876
13,648
20,138
1,877,662
113,850
5,599,505
\$ 5,713,355

COUNTY OF COKE  
BALANCE SHEET - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017

	General Fund	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,337,754	\$ 1,180,635	\$ 176,445	\$ 3,694,834
Due from Other Funds	29,530	10,494	3,959	43,983
Total Assets	<u>\$ 2,367,284</u>	<u>\$ 1,191,129</u>	<u>\$ 180,404</u>	<u>\$ 3,738,817</u>
<b>LIABILITIES</b>				
Due to Other Funds	\$ 615	\$ -	\$ -	\$ 615
Total Liabilities	<u>615</u>	<u>-</u>	<u>-</u>	<u>615</u>
<b>FUND BALANCES</b>				
Committed Fund Balance:				
Special Revenue Funds	-	1,191,129	180,404	1,371,533
Unassigned Fund Balance	2,366,669	-	-	2,366,669
Total Fund Balances	<u>2,366,669</u>	<u>1,191,129</u>	<u>180,404</u>	<u>3,738,202</u>
Total Liabilities and Fund Balances	<u>\$ 2,367,284</u>	<u>\$ 1,191,129</u>	<u>\$ 180,404</u>	<u>\$ 3,738,817</u>

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

COUNTY OF COKE  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
SEPTEMBER 30, 2017

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 3,738,202</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The net effect of including the beginning balances for capital assets (net of depreciation) is to increase net position.	1,728,983
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	425,317
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(179,147)
<b>Net Position of Governmental Activities</b>	<b>\$ 5,713,355</b>

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

COUNTY OF COKE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Road and Bridge	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes	\$ 1,321,941	\$ 521,935	\$ -	\$ 1,843,876
Fees	206,157	235,298	33,954	475,409
Intergovernmental	49,452	-	91,100	140,552
Fines	90,687	-	-	90,687
Investment Earnings	12,429	1,144	75	13,648
Miscellaneous	15,820	4,100	218	20,138
Total Revenues	<u>1,696,486</u>	<u>762,477</u>	<u>125,347</u>	<u>2,584,310</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	899,218	154,344	1,671	1,055,233
Public Safety	503,203	-	-	503,203
Roads and Bridges	-	598,843	90,736	689,579
Health and Welfare	58,748	-	-	58,748
Culture and Recreation	206,899	-	4,251	211,150
Justice System	193,992	-	4,725	198,717
Total Expenditures	<u>1,862,060</u>	<u>753,187</u>	<u>101,383</u>	<u>2,716,630</u>
Net Change in Fund Balances	(165,574)	9,290	23,964	(132,320)
Fund Balance - October 1 (Beginning)	<u>2,532,243</u>	<u>1,181,839</u>	<u>156,440</u>	<u>3,870,522</u>
Fund Balance - September 30 (Ending)	<u>\$ 2,366,669</u>	<u>\$ 1,191,129</u>	<u>\$ 180,404</u>	<u>\$ 3,738,202</u>

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

COUNTY OF COKE  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
& CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (132,320)</b>
Current year capital outlays are expenditures in the fund financial statements but are shown as increases in capital assets in the government-wide financial statements. The net effect of removing capital outlays is to increase net position.	425,317
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(179,147)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 113,850</b>

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

COUNTY OF COKE  
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2017

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	Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 210,772
Due from Others	200
Total Assets	<u>\$ 210,972</u>
<b>LIABILITIES</b>	
Due to Other Governments	\$ 71,977
Due to Other Funds	43,368
Due to Others	95,627
Total Liabilities	<u>\$ 210,972</u>

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

**COUNTY OF COKE**  
**Notes to the Financial Statements**  
**September 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Coke, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**A. Reporting Entity**

The County of Coke, Texas, was organized by an Act of the Texas Legislature in 1889. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, justice system, public safety, health and welfare, and culture and recreation, as well as general administrative and support services. There are no component units included within the reporting entity.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

**C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**C. Measurement Focus and Basis of Accounting - Continued**

**Measurement Focus - Continued**

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

**Basis of Accounting**

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental funds:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Road and Bridge Fund - This Fund is a special revenue fund and is used to account for revenues for the road and bridge precincts.

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

**D. Interfund Receivables and Payables**

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

**E. Capital Assets**

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**E. Capital Assets - Continued**

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

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

<u>Assets</u>	<u>Years</u>
Infrastructure	20-30
Buildings and Improvements	12-30
Machinery and Equipment	5-10

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**F. Compensated Absences**

County employees are entitled to vacation and sick leave based on their length of employment. Vacation and sick leave do not accumulate or vest. Employees are not paid for unused vacation or sick leave upon separation from service.

**G. Net Position on the Statement of Net Position**

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents capital assets net of accumulated depreciation.

Unrestricted - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets.

**H. Fund Balances**

In the fund financial statements, governmental funds report the following classifications of fund balance:

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

**COUNTY OF COKE**  
**Notes to the Financial Statements - Continued**  
**September 30, 2017**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**H. Fund Balances - Continued**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioners' Court has provided otherwise in its commitment or assignment actions.

**I. Property Tax Revenues**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are recognized as revenues when they are collected.

**J. Interfund Transfers**

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budget**

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

Budgets for the General Fund and Special Revenue Funds are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

**B. Excess Expenditures Over Appropriations**

Expenditures exceeded appropriations in the Road and Bridge Fund as shown on page 32.

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

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

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

**Custodial Credit Risk - Deposits:** In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the County's name.

**Concentration of Credit Risk:** The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The County is not exposed to this risk as described in the preceding paragraph.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2017, the County was not significantly exposed to credit risk.

**Interest Rate Risk:** Not applicable

**Foreign Currency Risk:** Not applicable

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued**

**B. Interfund Receivables and Payables**

The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Nonmajor Governmental Funds	\$ 0	\$ 615	Current Operations
Fiduciary Funds	29,530	0	Unremitted Fees
	<u>\$ 29,530</u>	<u>\$ 615</u>	
Road and Bridge Fund			
Fiduciary Funds	<u>\$ 10,494</u>	<u>\$ 0</u>	Unremitted Fees
Nonmajor Governmental Funds			
General Fund	\$ 615	\$ 0	Current Operations
Fiduciary Funds	3,344	0	Unremitted Fees
	<u>\$ 3,959</u>	<u>\$ 0</u>	
Fiduciary Funds			
General Fund	\$ 0	\$ 29,530	Unremitted Fees
Road and Bridge Fund	0	10,494	Unremitted Fees
Nonmajor Governmental Funds	0	3,344	Unremitted Fees
	<u>\$ 0</u>	<u>\$ 43,368</u>	
Totals	<u>\$ 43,983</u>	<u>\$ 43,983</u>	

All amounts due are expected to be repaid within one year.

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 15,000	\$ 0	\$ 0	\$ 15,000
Infrastructure	0	866,094	0	866,094
Buildings and Improvements	2,003,605	0	0	2,003,605
Machinery and Equipment	1,951,994	189,723	10,000	2,131,717
Construction in Progress	630,500	235,594	866,094	0
Total Capital Assets	<u>\$ 4,601,099</u>	<u>\$ 1,291,411</u>	<u>\$ 876,094</u>	<u>\$ 5,016,416</u>
Less Accumulated Depreciation				
Infrastructure	\$ 0	\$ (39,696)	\$ 0	\$ (39,696)
Buildings and Improvements	(1,554,859)	(26,183)	0	(1,581,042)
Machinery and Equipment	<u>(1,317,257)</u>	<u>(113,268)</u>	<u>(10,000)</u>	<u>(1,420,525)</u>
Total Accumulated Depreciation	<u>\$ (2,872,116)</u>	<u>\$ (179,147)</u>	<u>\$ (10,000)</u>	<u>\$ (3,041,263)</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,728,983</u>	<u>\$ 1,112,264</u>	<u>\$ 866,094</u>	<u>\$ 1,975,153</u>

Depreciation expense was charged to governmental activities programs as follows:

General Government	\$ 10,373
Roads and Bridges	120,705
Public Safety	28,884
Culture and Recreation	<u>19,185</u>
Total	<u>\$ 179,147</u>

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION**

**A. Defined Benefit Pension Plan**

**Plan Description** - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County & 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 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at [www.tcdrs.org](http://www.tcdrs.org). TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 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.

Benefit amounts are determined by the sum of the employee's deposits 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 annuity purchase rates prescribed by the TCDRS Act.

**Funding Policy** - The employer 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 contribution rate of the employer is actuarially determined annually. The employer contributed the actuarially determined rate of 13.93% for the months of the accounting year in 2016 and 13.05% for the months of the accounting year in 2017.

The deposit rate payable by the employee members for calendar year 2017 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**Actuarial Assumptions** - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2016 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2016 Summary Valuation Report for further details.

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal <sup>(1)</sup>
Amortization Method	
Recognition of Economic/Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.1%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on the gender-distinct RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year setback for females. Service retirees, beneficiaries, and non-depositing members are based on the RP-2000 Combined Mortality Table with a one-year set-forward for males and no age adjustment for females. Disabled retirees are based on the gender-distinct RP-2000 Disabled Mortality Table with no age adjustment for males and a two-year set-forward for females. The rates are projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

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

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

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

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return (Expected Minus Inflation) <sup>(2)</sup>
U.S. Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	16.00%	7.70%
Global Equities	MSCI World (Net) Index	1.50%	5.00%
International Equities - Developed Markets	MSCI World Ex USA (Net)	10.00%	4.70%
International Equities - Emerging Markets	MSCI EM Standard (Net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(4)</sup>	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

<sup>(1)</sup> Target asset allocation adopted at the April 2017 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation of 2% per 2017 capital market assumptions.

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

<sup>(4)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Depletion of Plan Assets/GASB Discount Rate** - The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

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

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

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

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

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

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.1%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

**Changes in Net Pension Liability/(Asset)** - The following presents the increases/(decreases) in net pension liability/(asset):

<u>Changes in the Net Pension Liability/(Asset)</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> <u>(a)</u>	<u>Fiduciary Net Position</u> <u>(b)</u>	<u>Net Pension Liability/(Asset)</u> <u>(a) - (b)</u>
Balance as of December 31, 2015	<u>\$ 5,880,606</u>	<u>\$ 5,237,477</u>	<u>\$ 643,129</u>
Changes for the Year:			
Service Cost	\$ 139,002	\$ 0	\$ 139,002
Interest on Total Pension Liability <sup>(1)</sup>	470,589	0	470,589
Effect of Plan Changes <sup>(2)</sup>	0	0	0
Effect of Economic/Demographic Gains or Losses	677	0	677
Effect of Assumptions Changes or Inputs	0	0	0
Refund of Contributions	(89)	(89)	0
Benefit Payments	(283,456)	(283,456)	0
Administrative Expenses	0	(4,206)	4,206
Member Contributions	0	69,264	(69,264)
Net Investment Income	0	387,333	(387,333)
Employer Contributions	0	137,815	(137,815)
Other <sup>(3)</sup>	0	66,692	(66,692)
Net Changes	<u>\$ 326,723</u>	<u>\$ 373,353</u>	<u>\$ (46,630)</u>
Balance as of December 31, 2016	<u>\$ 6,207,329</u>	<u>\$ 5,610,830</u>	<u>\$ 596,499</u>

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

<sup>(2)</sup> No plan changes valued.

<sup>(3)</sup> Relates to allocation of system-wide items.

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

	<u>1% Decrease in Discount Rate (7.1%)</u>	<u>Current Discount Rate (8.1%)</u>	<u>1% Increase in Discount Rate (9.1%)</u>
Total Pension Liability	\$ 6,834,100	\$ 6,207,329	\$ 5,670,262
Fiduciary Net Position	<u>5,610,830</u>	<u>5,610,830</u>	<u>5,610,830</u>
Net Pension Liability/(Asset)	<u>\$ 1,223,270</u>	<u>\$ 596,499</u>	<u>\$ 59,432</u>

**Pension Expense/Income** - The following presents the components of pension expense/income:

<u>Pension Expense (Income)</u>	<u>January 1, 2016 to December 31, 2016</u>
Service Cost	\$ 139,002
Interest on Total Pension Liability <sup>(1)</sup>	470,589
Effect of Plan Changes	0
Administrative Expenses	4,206
Member Contributions	(69,264)
Expected Investment Return Net of Investment Expenses	(423,680)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(44,247)
Recognition of Assumption Changes or Inputs	22,700
Recognition of Investment Gains or Losses	98,343
Other <sup>(2)</sup>	<u>(66,692)</u>
Total Pension Expense (Income)	<u>\$ 130,957</u>

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

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

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

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

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 25,185	\$ 338
Changes in Assumptions	-	22,700
Net Differences Between Projected and Actual Earnings	-	289,552
Contributions Made Subsequent to Measurement Date <sup>(3)</sup>	<u>-</u>	<u>92,013</u>
<b>Totals</b>	<u><u>\$ 25,185</u></u>	<u><u>\$ 404,603</u></u>

(3) Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year-end should be reflected as outlined in Appendix D of the TCDRS GASB 68 Report.

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

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 96,196
2018	98,343
2019	85,597
2020	7,269
2021	0
Thereafter <sup>(4)</sup>	0

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

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**A. Defined Benefit Pension Plan - Continued**

**Schedule of Deferred Inflows and Outflows of Resources** - The following presents the components of deferred inflows and outflows of resources:

	<u>Original Amount</u>	<u>Date Established</u>	<u>Original Recognition Period<sup>(1)</sup></u>	<u>Amount Recognized in 12/31/16 Expense<sup>(1)</sup></u>	<u>Balance of Deferred Inflows 12/31/16</u>	<u>Balance of Deferred Outflows 12/31/16</u>
Investment (Gains) or Losses						
	\$ 36,348	12/31/16	5	\$ 7,270	\$ -	\$ 29,078
	391,638	12/31/15	5	78,328	-	234,983
	63,727	12/31/14	5	12,745	-	25,491
Economic/Demographic (Gains) or Losses						
	676	12/31/16	2	338	-	338
	(75,555)	12/31/15	3	(25,185)	25,185	-
	(58,198)	12/31/14	3	(19,399)	-	-
Assumption Changes or Inputs						
	-	12/31/16	2	-	-	-
	68,101	12/31/15	3	22,700	-	22,700
	-	12/31/14	3	-	-	-
Employer Contributions Made Subsequent to Measurement Date <sup>(2)</sup>						92,013

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

<sup>(2)</sup> Any eligible employer contributions made subsequent to the measurement date through the employer's fiscal year end should be reflected as deferred outflows as outlined in Appendix D of the TCDRS GASB 68 Report.

**B. Self-Insurance**

The County has entered into an interlocal participation agreement with the Texas Association of Counties Workers' Compensation Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other county-related political subdivisions of the State of Texas that was created to provide workers' compensation benefits for its members pursuant to the provisions of Article 8309h, Texas Revised Civil Statutes Annotated. The Fund provides for the self-insurance of certain defined risks jointly among the Fund members. The Fund is required to provide stop-loss coverage; however, the amount of this coverage may be adjusted at the discretion of the Fund's Board of Trustees. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liabilities other than the maximum annual contribution required to be paid into the Fund. The County made contributions to the Fund based upon its standard annual premium which was computed using the Texas State Board of Insurance workers' compensation rates and adjusted by

COUNTY OF COKE  
Notes to the Financial Statements - Continued  
September 30, 2017

**IV. OTHER INFORMATION - Continued**

**B. Self-Insurance - Continued**

the County's experience modifier. Contributions are adjusted annually based upon the County's experience modifier; however, contributions are subject to adjustments on an interim basis if such adjustments are the result of changes mandated by state law.

The County has entered into an interlocal participation agreement with the Texas Association of Counties County Government Risk Management Pool (the Pool). The Pool is an unincorporated association of counties that was created to provide liability coverage to its members pursuant to the provisions of Article 4413 (32i), Texas Revised Civil Statutes Annotated. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The Pool provides stop-loss coverage at the discretion of the Pool's Board of Trustees. The County made contributions to the Pool based upon a rating system approved by the Pool's Board of Trustees. Contributions are adjusted annually based upon the County's loss experience; however, the Pool has the right to impose a surcharge for any year in which the County's loss experience is higher than was projected in the rating system. The County's participation in the Pool provides coverage for public officials' liability, law enforcement liability, comprehensive auto liability, comprehensive general liability, and employee crime.

The County self-insures the physical damage portion of all heavy equipment in the Road and Bridge Departments.

**C. Tax Abatements**

The County has entered into contractual agreements with property owners in which the County has agreed to reduce the amount of ad valorem taxes payable on certain improvements constructed after the dates the agreements were reached in accordance with Chapter 312 of the State of Texas Tax Code. The terms of each agreement are limited by the guidelines and criteria established by the County Commissioners. At September 30, 2017, the County had established abatement agreements with the following property owners:

Property Owner	Date of Abatement Agreement	First Year of Abatement	Final Year of Abatement	2016 Appraised Values	2016 Taxable Values	2016 Abated Values	2016 Taxes Levied	2016 Taxes Abated
Capricorn Ridge Wind II, LLC	11/07	2009	2018	\$ 29,994,090	\$ -	\$ 29,994,090	\$ -	\$ 192,213
Goat Mountain Wind	8/06	2009	2018	73,700,310	-	73,700,310	-	472,299

During fiscal year 2017, the total amount of abated property value was \$ 103,694,400. Based on the county tax rate of \$ 0.640837 per \$ 100 of value, the foregone tax levy due to abatement agreements was \$664,512.

**D. Other Information**

During the fiscal year ended September 30, 2013, the owners of the Coke County Juvenile Justice Center donated the land, building, and equipment of the facility to the County. The facility is presently not being utilized in any capacity. The land, building, and equipment had a tax appraisal value of \$3,263,190 at the time of the donation.

**E. Subsequent Events**

The County's management has evaluated subsequent events through December 28, 2017, the date which the financial statements were available for issue.

Other Information

COUNTY OF COKE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,384,604	\$ 1,384,604	\$ 1,321,941	\$ (62,663)
Fees	224,059	224,059	206,157	(17,902)
Intergovernmental	80,277	80,277	49,452	(30,825)
Fines	99,191	99,191	90,687	(8,504)
Investment Earnings	6,700	6,700	12,429	5,729
Miscellaneous	30,100	30,100	15,820	(14,280)
Total Revenues	1,824,931	1,824,931	1,696,486	(128,445)
EXPENDITURES:				
Current:				
General Government	929,953	923,319	899,218	24,101
Public Safety	529,695	529,695	503,203	26,492
Health and Welfare	78,842	78,842	58,748	20,094
Culture and Recreation	218,280	218,280	206,899	11,381
Justice System	284,288	290,862	193,992	96,870
Total Expenditures	2,041,058	2,040,998	1,862,060	178,938
Net Change	(216,127)	(216,067)	(165,574)	50,493
Fund Balance - October 1 (Beginning)	2,532,243	2,532,243	2,532,243	-
Fund Balance - September 30 (Ending)	\$ 2,316,116	\$ 2,316,176	\$ 2,366,669	\$ 50,493

COUNTY OF COKE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
MODIFIED CASH BASIS - BUDGET AND ACTUAL - ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
<b>REVENUES:</b>				
Taxes	\$ 490,058	\$ 490,058	\$ 521,935	\$ 31,877
Fees	238,000	238,000	235,298	(2,702)
Investment Earnings	1,400	1,400	1,144	(256)
Miscellaneous	200	200	4,100	3,900
Total Revenues	<u>729,658</u>	<u>729,658</u>	<u>762,477</u>	<u>32,819</u>
<b>EXPENDITURES:</b>				
Current:				
General Government	181,749	163,789	154,344	9,445
Roads and Bridges:				
Precinct Number One	141,977	141,797	130,550	11,247
Precinct Number Two	142,245	160,120	201,365	(41,245)
Precinct Number Three	145,451	145,407	142,054	3,353
Precinct Number Four	126,788	136,977	124,874	12,103
Total Expenditures	<u>738,210</u>	<u>748,090</u>	<u>753,187</u>	<u>(5,097)</u>
Change in Fund Balance	(8,552)	(18,432)	9,290	27,722
Fund Balance - October 1 (Beginning)	<u>1,181,839</u>	<u>1,181,839</u>	<u>1,181,839</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,173,287</u>	<u>\$ 1,163,407</u>	<u>\$ 1,191,129</u>	<u>\$ 27,722</u>

COUNTY OF COKE  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM  
SEPTEMBER 30, 2017

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
<b>A. Total Pension Liability</b>			
Service Cost	\$ 139,002	\$ 133,849	\$ 131,364
Interest (on the Total Pension Liability)	470,589	447,861	424,990
Changes of Benefit Terms	-0-	(108)	-0-
Difference between Expected and Actual Experience	677	(75,556)	(58,198)
Changes of Assumptions	-0-	68,101	-0-
Benefit Payments, including refunds of employee contributions	(283,545)	(242,729)	(257,687)
Net change in Total Pension Liability	\$ 326,723	\$ 331,418	\$ 240,469
Total Pension Liability - Beginning	5,880,606	5,549,188	5,308,719
Total Pension Liability - Ending	<u>\$ 6,207,329</u>	<u>\$ 5,880,606</u>	<u>\$ 5,549,188</u>
<b>B. Total Fiduciary Net Position</b>			
Contributions - Employer	\$ 137,815	\$ 148,493	\$ 155,414
Contributions - Employee	69,264	74,141	74,924
Net Investment Income	387,333	34,413	339,271
Benefit Payments, including refunds of employee contributions	(283,545)	(242,729)	(257,687)
Administrative Expense	(4,206)	(3,757)	(3,920)
Other	66,692	3,366	(52,336)
Net Change in Plan Fiduciary Net Position	\$ 373,353	\$ 13,927	\$ 255,666
Plan Fiduciary Net Position - Beginning	5,237,477	5,223,550	4,967,884
Plan Fiduciary Net Position - Ending	<u>\$ 5,610,830</u>	<u>\$ 5,237,477</u>	<u>\$ 5,223,550</u>
<b>C. Net Pension Liability</b>	<u>\$ 596,499</u>	<u>\$ 643,129</u>	<u>\$ 325,638</u>
<b>D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>	90.39%	89.06%	94.13%
<b>E. Covered Employee Payroll</b>	\$ 989,482	\$ 1,059,151	\$ 1,070,346
<b>F. Net Pension Liability as a Percentage of Covered Employee Payroll</b>	60.28%	60.72%	30.42%

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only three years of data are presented in accordance with GASBS #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."

COUNTY OF COKE  
SCHEDULE OF CONTRIBUTIONS  
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM  
SEPTEMBER 30, 2017

	2017	2016	2015
Actuarially Determined Contribution	\$ 127,335	\$ 142,016	\$ 149,322
Contributions in Relation to the Actuarially Determined Contributions	(127,335)	(142,016)	(149,322)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
Covered Employee Payroll	\$ 958,645	\$ 1,017,675	\$ 1,055,160
Contributions as a Percentage of Covered Employee Payroll	13.30%	14.00%	14.20%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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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2014

\$ 155,049

(155,049)

\$ -0-

\$ 1,083,030

14.30%

COUNTY OF COKE  
Notes to the Other Information  
September 30, 2017

**Note A - Net Pension Liability**

**Changes in Benefit Terms**

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.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal <sup>(1)</sup>
Amortization Method	
Recognition of Economic/ Demographic Gains or Losses	Straight-Line Amortization Over Expected Working Life
Recognition of Assumptions Changes or Inputs	Straight-Line Amortization Over Expected Working Life
Asset Valuation Method	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.1%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on the gender-distinct RP-2000 Active Employee Mortality Table with a two-year set-forward for males and a four-year setback for females. Service retirees, beneficiaries, and non-depositing members are based on the RP-2000 Combined Mortality Table with a one-year set-forward for males and no age adjustment for females. Disabled retirees are based on the gender-distinct RP-2000 Disabled Mortality Table with no age adjustment for males and a two-year set-forward for females. The rates are projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

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

Supplementary Information

COUNTY OF COKE  
SCHEDULE OF CERTIFICATES OF DEPOSIT  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017

<u>Description</u>	<u>Identifying Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount</u>
<b><u>GOVERNMENTAL FUNDS</u></b>				
General Fund				
Certificates of Deposit				
Robert Lee State Bank	17593	0.55	07-24-18	\$ 511,607
Robert Lee State Bank	17599	0.55	08-02-18	464,820
Robert Lee State Bank	17630	0.55	04-07-18	508,809
FNB Sterling City	3300941	0.55	03-13-18	519,408
FNB Sterling City	3301005	0.50	02-21-18	146,278
Clerk Records Management Fund				
Certificate of Deposit				
Robert Lee State Bank	17715	0.50	02-02-18	5,025
Archives Fund				
Certificate of Deposit				
Robert Lee State Bank	17716	0.50	02-02-18	<u>10,050</u>
Total Governmental Funds				<u>\$ 2,165,997</u>

**COMPLIANCE AND INTERNAL CONTROLS SECTION**

# Eckert & Company

CERTIFIED PUBLIC ACCOUNTANTS

A Limited Liability Partnership

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Texas Society of CPAs

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

The Honorable County Judge  
and Commissioners' Court  
County of Coke  
13 East 7th Street  
Robert Lee, TX 76945

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 the County of Coke, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 28, 2017.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Coke'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 of Coke's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of Coke'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 County'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 the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Coke's financial statements are free of 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*.

The Honorable County Judge  
and Commissioners' Court  
Page 2

**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

*Eckert & Company, LLP*

December 28, 2017