

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

**RUTHERFORD, TAYLOR & COMPANY, P.C.**  
*Certified Public Accountants*  
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HUNT COUNTY, TEXAS  
ANNUAL FINANCIAL REPORT  
YEAR ENDED SEPTEMBER 30, 2017

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## GENERAL INFORMATION

HUNT COUNTY, TEXAS  
ROSTER OF PUBLIC OFFICIALS  
SEPTEMBER 30, 2017

County Judge .....John Horn  
Commissioner, Precinct 1 .....Eric Evans  
Commissioner, Precinct 2 .....Tod McMahan  
Commissioner, Precinct 3 .....Phillip Martin  
Commissioner, Precinct 4 .....Jim Latham  
County Auditor .....Jimmy Hamilton  
County Clerk .....Jennifer Lindenzweig  
County Treasurer.....Delores Shelton  
County Tax Assessor Collector.....Randy Wineinger  
County Attorney .....Joel Littlefield  
County Sheriff .....Randy Meeks  
Justice of the Peace, Pct 1, Place 1 .....Wayne Money  
Justice of the Peace, Pct 1, Place 2 .....Sheila Linden  
Justice of the Peace, Pct 2.....Jennifer Reeves  
Justice of the Peace, Pct 3.....Aaron Williams  
Justice of the Peace, Pct 4.....David McNabb  
District Clerk.....Stacy Landrum

FINANCIAL SECTION

**RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.**  
*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

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Members of the Court:

**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 the Hunt County, Texas (County), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

**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 the Hunt County, Texas as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note M to the financial statements, in 2017 the County adopted various accounting pronouncements issued by the Governmental Accounting Standards Board. 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 and budgetary comparison information 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 basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2018, on our consideration of the County'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's internal control over financial reporting and compliance.



May 28, 2018  
Greenville, Texas

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

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Members of the Court:

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 Hunt County, Texas (County), 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 May 28, 2018.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

Report on Internal Control – Continued

**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.

A handwritten signature in blue ink that reads "Rutherford, Taylor & Company, P.C." The signature is written in a cursive style.

May 28, 2018  
Greenville, Texas

HUNT COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2017

**Financial Statement Findings (Section II)**

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NONE

**Prior Year Findings (Section III)**

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NONE

HUNT COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2017

**Federal Award Findings and Questioned Costs (Section IV)**

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NONE

**Corrective Action Plan (Section V)**

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NONE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Required Supplementary Information)

HUNT COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2017

As management of Hunt County, Texas (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2017. This discussion includes comparative data for the prior year. Please read it in conjunction with the basic financial statements and related notes which immediately follow this discussion.

***FINANCIAL HIGHLIGHTS***

- The County's combined total net position is \$ 40,994,204 at September 30, 2017.
- For the year, the County's expenses were \$ 365,984 more than the \$ 41,384,096 generated in local property taxes and other revenues for governmental activities.
- Overall costs for the County were similar to prior years with little change in the types of services or programs operated this year.
- The General Fund reported a fund balance of \$ 16,683,312 which is an increase of \$ 1,406,244 from the prior year.
- The County executed debt agreements amounting to \$ 564,816 for various pieces of equipment and issued bonds totaling \$ 6,084,750 for infrastructure improvements.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The County's annual report includes two government-wide financial statements, the *Statement of Net Assets* and the *Statement of Activities*, both of which present all of the governmental activities of the County, excluding fiduciary activities. Governmental activities of the County include general government, judicial, public safety, corrections and rehabilitation, health and human services, community development, infrastructure and debt service. These activities are principally supported by local property and sales taxes. The County has no business-type activities.

The *Statement of Net Position* presents all of the County's assets and liabilities, with the difference between the two reported as Net Position. Net position is equivalent to the equity section of a private sector balance sheet. 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. Evaluation of the overall economic health of the County would extend to other nonfinancial factors such as the County's property tax base and the condition of the County's infrastructure in addition to the financial information provided in this report.

The *Statement of Activities* presents information showing how the County's net position changed during the fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**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.

HUNT COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2017

**Fund 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 how cash resources flow into and out of those funds and the balances remaining at the year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, that requires the recognition of revenue when earned, only so long as the funds are collected within the period or soon afterwards to be used to pay liabilities of the current period.

It is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. This will present readers with a better understanding of 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 Equity provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County adopts an annual budget for its General Fund. A budgetary comparison schedule has been provided as required supplementary information for this fund to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held by the County in a custodial capacity as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to fund County programs. The fiduciary funds are disclosed in the Statement of Net Assets—Fiduciary Funds.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the fund financial statements presented in the report.

HUNT COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2017

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Statement of Net Assets:**

The following table is a condensed Statement of Net Position as of September 30, 2017 and 2016.

<u>Summary of Statement of Net Position</u>			
	Governmental Activities		Total Percentage Change
	<u>2017</u>	<u>2016</u>	<u>2016-2017</u>
<b>Assets</b>			
Current and Other Assets	\$ 33,492,723	\$ 24,359,459	37.49%
Capital Assets	<u>30,549,024</u>	<u>31,589,831</u>	-3.29%
<b>Total Assets</b>	<u>\$ 64,041,747</u>	<u>\$ 55,949,290</u>	14.46%
<b>Deferred Outflows of Resources</b>			
Deferred Outflows	<u>\$ 4,961,297</u>	<u>\$ 5,925,567</u>	-16.27%
<b>Liabilities</b>			
Current and Other Liabilities	\$ 2,428,949	\$ 1,268,582	91.47%
Non-Current Liabilities	<u>24,703,903</u>	<u>18,484,812</u>	33.64%
<b>Total Liabilities</b>	<u>\$ 27,132,852</u>	<u>\$ 19,753,394</u>	37.36%
<b>Deferred Inflows of Resources</b>			
Deferred Inflows	<u>\$ 875,988</u>	<u>\$ 761,275</u>	15.07%
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 25,653,104	\$ 26,273,820	-2.36%
Restricted	435,711	2,696,506	-83.84%
Unrestricted	<u>14,905,389</u>	<u>12,389,862</u>	20.30%
<b>Total Net Position</b>	<u>\$ 40,994,204</u>	<u>\$ 41,360,188</u>	-0.88%

As noted earlier, over time net position may serve as a useful indicator of a government's financial position. In the case of Hunt County, assets and other deferred outflows exceeded liabilities and other deferred inflows by \$ 40,994,204 at the close of the most recent fiscal year, an increase from the previous fiscal year due primarily to a combination of increased revenues and reductions in expenses. The largest portion of the County's net position represents investments in capital assets (e.g. road and bridge infrastructure; buildings and other improvements; furniture, machinery and equipment; and land), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending. An additional portion of the net position is restricted for specific and legal purposes. Included as restricted are the funds held for the repayment of debt. The remaining balance of unrestricted net position represents resources available for future operations.

HUNT COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2017

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, (CONTINUED)**

**Statement of Activities:**

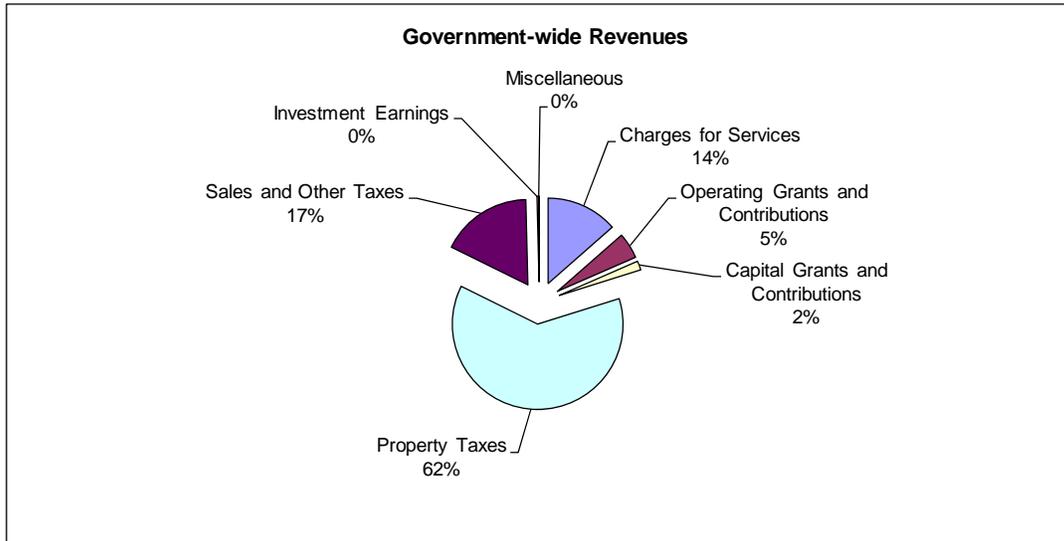
The following table provides a summary of the County's Statement of Activities for the years ended September 30, 2017 and 2016.

<b><u>Summary of Statement of Activities</u></b>			
	Governmental Activities		Total Percentage Change
	<u>2017</u>	<u>2016</u>	<u>2016-2017</u>
<b>Revenues</b>			
Program Revenues:			
Charges for Services	\$ 5,602,786	\$ 5,983,902	-6.37%
Operating Grants and Contributions	2,030,041	1,741,927	16.54%
Capital Grants and Contributions	710,046	265,262	167.68%
General Revenues:			
Property Taxes	25,716,943	25,280,274	1.73%
Sales and Other Taxes	7,164,660	6,707,357	6.82%
Investment Earnings	135,879	49,533	174.32%
Miscellaneous	23,741	118,407	-79.95%
<b>Total Revenues</b>	<b>\$ 41,384,096</b>	<b>\$ 40,146,662</b>	<b>3.08%</b>
<b>Expenses</b>			
Current Expenses:			
General Government	\$ 7,433,804	\$ 5,968,468	24.55%
Judicial	10,968,948	10,566,912	3.80%
Public Safety	7,569,174	7,176,647	5.47%
Corrections and Rehabilitation	6,387,142	6,098,232	4.74%
Health and Human Services	1,255,424	1,182,229	6.19%
Community Development	474,996	299,109	58.80%
Infrastructure	7,755,541	7,172,514	8.13%
Debt Service	128,351	48,882	162.57%
<b>Total Expenses</b>	<b>\$ 41,973,380</b>	<b>\$ 38,512,993</b>	<b>8.98%</b>
Special Item Increase (Decrease)	\$ 223,300	\$ -	100.00%
<b>Change in Net Position</b>	<b>\$ (365,984)</b>	<b>\$ 1,633,669</b>	<b>-122.40%</b>
Net Position - Beginning (October 1)	41,360,188	39,726,519	4.11%
<b>Net Position - Ending (September 30)</b>	<b>\$ 40,994,204</b>	<b>\$ 41,360,188</b>	<b>-0.88%</b>

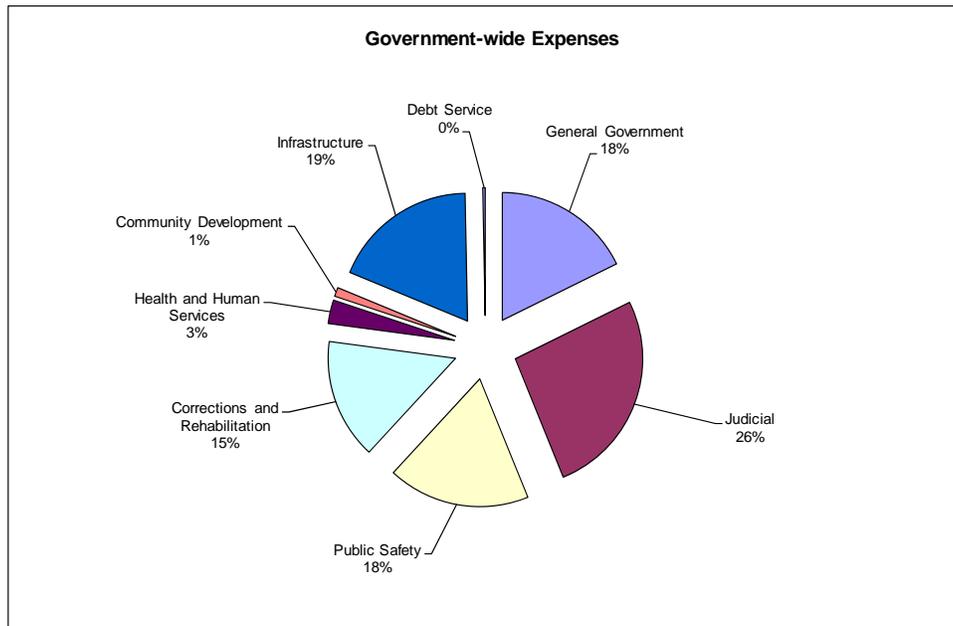
HUNT COUNTY, TEXAS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED SEPTEMBER 30, 2017

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, (CONTINUED)**

Governmental activities. Revenues for the County's governmental activities were \$ 41,384,096 up by 3.08% from the prior year while total expenses were \$ 41,973,380, up by 8.98% compared to the prior year. The decrease in net position of \$ 365,984 reflects a decrease of 122.40% for the year, from \$ 41,360,188 at the beginning of the year to \$ 40,994,204 at the end of the year. The following charts graphically display the components of governmental revenues and expenses for the year.



Revenues for the County's governmental activities totaled \$ 41,384,096 for the year ended September 30, 2017. As graphically portrayed above, the County continues to be heavily reliant on ad valorem taxes to support governmental operations. Ad valorem taxes decreased slightly at 62% of the County's total governmental revenues. In general, the County's tax revenues are dependent on the property values and local economy of Hunt County, Texas. Sales and other taxes as a percentage of total revenues remained at 17% in the current period. Fees, fines and charges for services provided 14% of the County's total governmental revenues during the fiscal year compared to 15% in the prior year. Other components of total revenues remained relatively stable as compared to the prior year.



HUNT COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2017

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, (CONTINUED)**

Expenses for the County's governmental activities totaled \$ 41,973,380 for the year ended September 30, 2017. Of this amount, the largest operating services areas were judicial which totaled \$ 10,968,948, for the year compared to \$ 10,566,912 in the prior year, approximately 26% for each year, and infrastructure which totaled \$ 7,755,541 for the year compared to \$ 7,172,514 for the prior year, remaining fairly steady as a percentage of total expenses for both years. Costs related to general government (\$ 7,433,804) and public safety (\$ 7,569,174) continued to absorb significant percentages of the County's total expenditures for the current year.

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

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

The County's governmental funds reflect a combined fund balance of \$ 28,367,619 as of year-end, up \$ 8,030,784 as compared to \$ 20,336,835 at the end of the previous fiscal year. Approximately 47% (\$ 13,300,773) of the combined fund balances for the governmental funds constitutes unassigned fund balance, which is available to meet the County's current and future operating needs. The other components of the fund balance are nonspendable (\$ 206,813), restricted (\$ 8,608,994), committed (\$ 3,073,238) or assigned (\$ 3,177,801).

The General Fund is the principal operating fund of the County and the largest source of day-to-day service delivery. In the General Fund, the County spent \$ 28,731,322 on County services and collected revenues of \$ 30,480,138, netting an increase of revenues over expenditures of \$ 1,406,244 for the fiscal year ended September 30, 2017 as compared to an increase of revenues over expenditures of \$ 1,134,885 during the previous fiscal year. Also during the current year, General Fund assets amounting to \$ 942,182 were transferred to other funds. Additionally, support of \$ 376,310 was received from other funds for support of General Fund activities. Overall, the General Fund's fund balance increased \$ 1,406,244 during the current year. This increase combined with a beginning fund balance of \$ 15,277,068, leaves the General Fund with a fund balance of \$ 16,683,312 as of September 30, 2017, an increase from the end of the previous fiscal year. Almost 80% of the General Fund equity is unassigned.

The Capital Projects Fund accounts for the debt proceeds issued for long term road improvements. Bonds totaling \$ 6,084,750 were issued to fund various road projects in the County. Expenses totaled \$ 343,509 for the year offset by \$ 30,327 of investment and other income resulting in an ending fund balance of \$ 5,780,625. The equity balance is restricted and can only be used as described in the bond covenants.

Other Governmental Funds ended the year with a fund balance of \$ 5,903,682, up 17% from the balance of \$ 5,050,710 at September 30, 2016. 48% or \$ 2,828,369 of the year-end fund balance is restricted for debt service, capital projects and other outside controlled items. Most of the remaining 52% (\$ 3,072,238) of the fund balance is committed.

**General Fund Budgetary Highlights**

The General Fund expenditure budget for fiscal year 2017, as amended, was \$ 28,731,322 compared to \$ 33,539,932 for fiscal year 2016. Amendments to the original 2017 budget increased revenues by 9.7% and expenditures by 9.7%. Significant budget amendments approved by the Commissioners Court during the period ended September 30, 2017 are as follows:

- General Government budget increased by \$ 1,447,211. This line item budgets for contingency expenses that cannot be anticipated during the budgeting process. The budget increase represents additional amounts that were expected to be needed during the year because of higher than normal transfers of budgetary authority to other budget areas to cover unanticipated costs including software upgrades.

HUNT COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2017

**General Fund Budgetary Highlights, (Continued)**

- Judicial budget increased by \$ 940,010 due largely to additional costs of court appointed attorneys in the District and County courts and capital offense trials as well as judicial court computer software upgrades.
- Public Safety budget increased by \$ 198,360 due mainly to increased costs related to vehicles, tools, equipment, supplies and certifications related to law enforcement, along with increased costs for autopsy and transport of bodies.

Actual revenues for the year were \$ 20,480,138 or \$ 747,922 greater than expectations primarily due to higher than expected revenues from sales taxes and other taxes reduced by reductions in fees collected. In addition, General Fund expenditures amounted to \$ 28,371,322 or \$ 3,931,459 under budget. All functional areas came in within budget.

Further comparison of the County's actual operating results as compared to budget can be found in the required supplementary information section of the report following the notes to the financial statements.

**Capital Assets and Debt Administration**

**Capital Assets.** The County's investment in capital assets for its governmental activities funds as of September 30, 2017 amounts to \$ 30,549,024 compared to \$ 31,589,832 as of September 30, 2016 (net of accumulated depreciation). Capital Assets include land, buildings and improvements, road and bridge infrastructure, and furniture, machinery and equipment which are used by the County in performance of the County's functions. During the year, \$ 1,266,001 was added to buildings, roads, furniture, machinery, and equipment for courthouse renovations, roads, automobiles and trucks offset by deductions of \$ 210,291 related to disposals of vehicles and heavy equipment. Depreciation provided for the current fiscal period was \$ 2,298,671 as compared to \$ 2,275,462 for the year ended September 30, 2016. Additional information on capital assets can be found in Note C of this report.

**Long-term Debt.** As of September 30, 2017, the County had total long-term debt outstanding of \$ 18,707,068, of which \$ 7,800,000 was general obligation refunding bonds and \$ 1,955,000 was tax notes. The County's liability at September 30, 2017 for other post-employment benefits amounted to \$ 6,665,442. The remainder of the County's long-term debt is primarily amounts due to the state for sales tax overpayments. In total, long-term debt increased \$ 6,109,859 from the previous year-end balance of \$ 12,597,204. The County believes they are currently in compliance with all significant debt limitations and restrictions. Additional information on the County's long-term debt can be found in Note D of this report.

HUNT COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2017

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The Hunt County Commissioner's Court considered many factors when setting the fiscal year 2017/2018 budget, tax rates and fees that will be charged for its activities. The key factors that affected the formulation of next year's budget and rates are discussed below.

The County's total population continues on a steady upward trend increasing to approximately 97,000 for 2017, up by 27% from the year 2000 level of 76,596. In recent years, the County has experienced relatively low inflation rates which have closely followed the national trends. In compiling next year's budget, no significant change in the inflation rate was anticipated.

Amounts available for appropriation in the 2017/2018 General Fund budget are \$ 32,274,660, an increase of 5.4% from the prior year budget of \$ 30,619,025. An increase in the County's tax roll allowed the County's tax rate per \$100 of valuation to remain steady for fiscal year 2017/2018 as compared to the prior year. The County will use available revenues to finance services we currently offer and the effect that we expect inflation and other economic factors to have on the cost of performing County functions. Significant factors that affected the 2017/2018 budget include lower investment earnings along with increases in the County's wages, employee retirement costs, unemployment insurance, health insurance, and worker's compensation insurance. No other major new services or programs were added to the 2017/2018 budget.

There appears to be a potential for structural problems for the County's criminal justice center. As of the report date, the cost of any necessary repairs, if any, has not been determined. No liability is reflected in the County's balance sheet for this contingency at September 30, 2017. The County received funds from plaintiffs in settlement of various actions and claims. These funds have been assigned by the Commissioners Court to provide for future repairs to the center.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of Hunt County's finances for all of those with an interest in the County's finances. Questions concerning this report or requests for additional financial information should be directed to Tammi Byrd, County Auditor, located in the Hunt County Auditor's Office, located at 2500 Lee Street, Greenville, TX 75401.

## BASIC FINANCIAL STATEMENTS

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

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 29,358,562
Receivables (Net of Allowance for Uncollectable Amounts)	
Property Taxes	2,591,197
Sales Tax	759,316
Fines, Fees and Court Costs	251,098
Others	312,124
Due from Fiduciary Funds	11,925
Prepaid Items	206,812
Other Assets	1,689
Capital Assets:	
Land	897,896
Buildings and Improvements, net	13,580,041
Infrastructure, net	14,055,149
Furniture and Equipment, net	2,015,938
	<u>64,041,747</u>
Total Assets	<u>\$ 64,041,747</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows - Pensions	<u>\$ 4,961,297</u>
Total Deferred Outflows of Resources	<u>\$ 4,961,297</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	1,229,253
Wages and Benefits Payable	431,926
Due to Others	718,792
Interest Payable	48,978
Long-term Liabilities	
Due within one year	1,663,773
Due in more than one year	10,377,848
Total OPEB Liability	6,665,442
Net Pension Liability	5,996,840
	<u>27,132,852</u>
Total Liabilities	<u>\$ 27,132,852</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned Revenue	\$ 73,420
Deferred Inflows - Pensions	<u>802,568</u>
Total Other Deferred Resources	<u>\$ 875,988</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	\$ 25,653,104
Restricted for:	
Debt Retirement	413,425
Capital Projects	22,286
Unrestricted	<u>14,905,389</u>
Total Net Position	<u>\$ 40,994,204</u>

The accompanying notes are an integral part of this statement.

**HUNT COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2017**

Programs Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
<b>Governmental Activities:</b>					
General Government	\$ 7,433,804	\$ 1,985,787	\$ 17,708	\$ 270,928	\$ (5,159,381)
Judicial	10,968,948	1,116,548	1,363,605	-	(8,488,795)
Public Safety	7,569,174	190,846	279,487	49,615	(7,049,226)
Corrections and Rehabilitation	6,387,142	1,596,187	-	-	(4,790,955)
Health and Human Services	1,255,424	393,122	353,895	-	(508,407)
Community Development	474,996	1,083	2,180	283,559	(188,174)
Infrastructure	7,755,541	319,213	13,166	105,944	(7,317,218)
Debt Service	128,351	-	-	-	(128,351)
<b>Total Governmental Activities</b>	<b>\$ 41,973,380</b>	<b>\$ 5,602,786</b>	<b>\$ 2,030,041</b>	<b>\$ 710,046</b>	<b>\$ (33,630,507)</b>
<b>Total Primary Government</b>	<b>\$ 41,973,380</b>	<b>\$ 5,602,786</b>	<b>\$ 2,030,041</b>	<b>\$ 710,046</b>	<b>\$ (33,630,507)</b>
<b>General Revenues:</b>					
Property Taxes					\$ 25,716,943
Sales and Other Taxes					7,164,660
Investment Earnings					135,879
Miscellaneous Revenue					23,741
Special Item - Litigation Settlement					223,300
<b>Total General Revenues</b>					<b>\$ 33,264,523</b>
<b>Change in Net Position</b>					<b>\$ (365,984)</b>
Net Position - Beginning (October 1)					41,360,188
<b>Net Position - Ending (September 30)</b>					<b>\$ 40,994,204</b>

The accompanying notes are an integral part of this statement.

**HUNT COUNTY, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 19,315,237	\$ 6,026,218	\$ 4,017,107	\$ 29,358,562
Receivables				
Property Taxes	2,233,915	-	710,627	2,944,542
Allowance for Uncollectible Taxes	(268,070)	-	(85,275)	(353,345)
Sales Tax	759,316	-	-	759,316
Other Receivables	59,473	9,834	242,816	312,123
Due from Other Funds	195,974	13,166	2,551,713	2,760,853
Prepaid Items	204,738	-	2,075	206,813
Other Assets	689	-	1,000	1,689
Total Assets	<u>\$ 22,501,272</u>	<u>\$ 6,049,218</u>	<u>\$ 7,440,063</u>	<u>\$ 35,990,553</u>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 786,937	\$ 88,044	\$ 354,272	\$ 1,229,253
Wages and Other Benefits Payable	362,949	-	68,977	431,926
Due to Others	241,236	-	477,556	718,792
Due to Other Funds	2,564,878	180,549	3,500	2,748,927
Total Liabilities	<u>\$ 3,956,000</u>	<u>\$ 268,593</u>	<u>\$ 904,305</u>	<u>\$ 5,128,898</u>
<b>OTHER DEFERRED RESOURCES</b>				
Property Taxes and Other	\$ 1,861,960	-	\$ 632,076	\$ 2,494,036
Total Other Deferred Resources	<u>\$ 1,861,960</u>	<u>\$ -</u>	<u>\$ 632,076</u>	<u>\$ 2,494,036</u>
<b>FUND EQUITY</b>				
Nonspendable	\$ 204,738	-	\$ 2,075	\$ 206,813
Restricted	-	5,780,625	2,828,369	8,608,994
Committed	-	-	3,073,238	3,073,238
Assigned	3,177,801	-	-	3,177,801
Unassigned	13,300,773	-	-	13,300,773
Total Fund Equity	<u>\$ 16,683,312</u>	<u>\$ 5,780,625</u>	<u>\$ 5,903,682</u>	<u>\$ 28,367,619</u>
Total Liabilities and Fund Equity	<u>\$ 22,501,272</u>	<u>\$ 6,049,218</u>	<u>\$ 7,440,063</u>	<u>\$ 35,990,553</u>

The accompanying notes are an integral part of this statement.

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

Total Fund Equity - Governmental Funds	\$ 28,367,619
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore not reported in the balance sheet	30,549,023
Property taxes receivable are unavailable to pay for current period expenditures and are not recognized as a fund receivable	2,420,616
Fines and fees receivable are unavailable to pay for current period expenditures and are not recognized as a fund receivable	251,098
Interest payable on noncurrent liabilities are not due and payable in the current period and are not reported in the funds	(48,979)
Noncurrent liabilities are not due and payable in the current period and therefore not reported in the funds as follows:	
Bonds and Related Premium	(8,089,750)
Loans	(1,955,000)
Compensated Absences	(382,716)
OPEB Benefits	(6,665,441)
Comptroller Overpayment	(1,004,645)
Capital Leases	(609,510)
Recognition of the Net Pension Liability not reported in the funds.	(5,996,840)
Deferred Resources Inflows related to TCDRS are not reported in the funds.	4,961,297
Deferred Resource Outflows related to TCDRS are not reported in the funds.	(802,568)
Total Net Position - Governmental Activities (Exhibit A-1)	<u>\$ 40,994,204</u>

The accompanying notes are an integral part of this statement.

**HUNT COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND EQUITY - GOVERNMENTAL FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2017**

	General	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes - Property	\$ 19,752,583	\$ -	\$ 5,927,347	\$ 25,679,930
Taxes - Sales and Other	5,279,783	-	-	5,279,783
Fees and Fines	3,433,697	-	986,185	4,419,882
Motor Vehicle Fees	93,865	-	1,271,481	1,365,346
Intergovernmental Support	610,858	13,166	1,943,275	2,567,299
Investment Earnings	426,505	17,161	24,854	468,520
Miscellaneous	882,847	-	660,738	1,543,585
<b>Total Revenues</b>	<b>\$ 30,480,138</b>	<b>\$ 30,327</b>	<b>\$ 10,813,880</b>	<b>\$ 41,324,345</b>
<b>EXPENDITURES</b>				
Current:				
General Government	\$ 6,313,656	\$ -	\$ 563,781	\$ 6,877,437
Judicial	8,855,045	-	1,418,277	10,273,322
Public Safety	6,769,293	-	118,791	6,888,084
Corrections and Rehabilitation	5,779,872	-	17,327	5,797,199
Health and Human Services	765,944	-	419,257	1,185,201
Community Development	188,833	-	285,656	474,489
Infrastructure	500	343,509	6,898,253	7,242,262
Debt Service	58,179	-	1,398,090	1,456,269
<b>Total Expenditures</b>	<b>\$ 28,731,322</b>	<b>\$ 343,509</b>	<b>\$ 11,119,432</b>	<b>\$ 40,194,263</b>
Excess (Deficiency) of Revenues over Expenditures	\$ 1,748,816	\$ (313,182)	\$ (305,552)	\$ 1,130,082
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Proceeds	\$ -	\$ 6,084,750	\$ 564,816	\$ 6,649,566
Transfers In	376,310	-	944,008	1,320,318
Transfers Out	(942,182)	-	(378,136)	(1,320,318)
Capital Asset Sale Proceeds	-	-	27,836	27,836
Special Item - Litigation Settlement	223,300	-	-	223,300
<b>Net Other Financing Sources (Uses)</b>	<b>\$ (342,572)</b>	<b>\$ 6,084,750</b>	<b>\$ 1,158,524</b>	<b>\$ 6,900,702</b>
<b>Net Change in Fund Equity</b>	<b>\$ 1,406,244</b>	<b>\$ 5,771,568</b>	<b>\$ 852,972</b>	<b>\$ 8,030,784</b>
Fund Equity - October 1 (Beginning)	15,277,068	9,057	5,050,710	20,336,835
<b>Fund Equity - September 30 (Ending)</b>	<b>\$ 16,683,312</b>	<b>\$ 5,780,625</b>	<b>\$ 5,903,682</b>	<b>\$ 28,367,619</b>

The accompanying notes are an integral part of this statement.

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

Net Change in Fund Equity - Total Governmental Funds	\$ 8,030,784
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital asset cost is allocated over the estimated useful life and reported as depreciation in the statement of activities	(2,298,672)
Acquisition of capital assets requires the use of current financial resources but has no effect on net assets	1,266,001
Disposal of Capital Assets are reported as revenues in the funds but the gain or loss from the sale is reported in the Statement of Activities.	(8,138)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	
Change in Property Taxes	37,012
Change in Fines and Court Costs	3,041
Repayment of debt principal is an expenditure in the funds but the payments reduce liabilities in the statement of net assets	
Debt principal payments are as follows:	
Bonds	980,000
Loans	40,000
Capital Leases	291,318
Comptroller Overpayment	58,179
Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	
Change in Interest Expense	(41,579)
Bond Premium Amortization	-
Compensated Absence	(33,687)
OPEB Benefits	(796,102)
Issuance of debt proceeds are other resources in the funds but are not reflected in the Statement of Activities.	(6,649,566)
Pension contributions made before the measurement date but in the current year were de-expended and reduced Net Pension Obligation while certain prior expenditures are recognized in the current year - the net change in deferred outflows/inflows.	12,882
Net pension expense had to be recorded in the SOA but not the funds increasing net position.	<u>(1,257,457)</u>
Change in Net Position of Governmental Activities	<u>\$ (365,984)</u>

The accompanying notes are an integral part of this statement.

**HUNT COUNTY, TEXAS  
STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
SEPTEMBER 30, 2017**

	Agency Funds	Total
<b>ASSETS</b>		
Cash and Investments	\$ 2,802,819	\$ 2,802,819
Total Assets	\$ 2,802,819	\$ 2,802,819
<b>LIABILITIES</b>		
Due to Other Funds	\$ 11,925	\$ 11,925
Due to Others	2,790,894	2,790,894
Total Liabilities	\$ 2,802,819	\$ 2,802,819
<b>NET POSITION</b>		
Held in Trust	\$ -	\$ -
Total Net Position	\$ -	\$ -

The accompanying notes are an integral part of this statement.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Significant Accounting Policies

The financial statements of Hunt County, Texas (County) included in the accompanying basic financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following notes to the financial statements are an integral part of the County's Basic Financial Statements.

Financial Reporting Entity

Hunt County, Texas is a public Corporation and political subdivision of the State of Texas. The Commissioner's Court, which is made up of four commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general administration, tax and recording (e.g. tax collection), judicial (courts, juries, County attorney, county attorney, etc), public safety (sheriff, jail, etc), transportation, facilities and public service (e.g. rural fire protection and emergency management).

As defined by accounting principles generally accepted in the United States of America (GAAP) that are established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

The accompanying financial statements present the Hunt County, Texas (County), the primary government and its component units. The financial data of the component units are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component units described below are each legally separate organizations from the County, but are so intertwined with the County that they are, in substance, the same as the County. They are reported as part of and accountable to the County and blended into the government-wide and fund financial statements. The Hunt County Juvenile Probation Board operates the juvenile probation department and detention center. The County owns and provides the operation and employees of the detention center.

Basic Financial Statements

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

Government-Wide Financial Statements (Statement of Net Position and Statement of Activities) – report on the County and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Significant Accounting Policies – (Continued)

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

Government-Wide Statement of Net Position – reports all financial and capital resources to the County (excluding fiduciary funds). It is displayed in a format of assets less liabilities equals' net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net Investment in capital assets are capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position are those with constraints placed on their use by either: 1) external imposition by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposition by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, are shown as unrestricted. Generally, the County would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Government-Wide Statement of Activities – demonstrates the degree to which both direct and indirect expenses of the various function and programs of the County are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Interest on general long-term debt is not allocated among separate functions. Program revenues include: 1) Fees, fines and charges paid by those who benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. Other nonmajor funds are combined in a single column on the fund financial statements.

The County reports the following major governmental funds:

General Fund – is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Projects Fund – accounts for the activity of funds received from the issuance of bonded debt for capital projects in the County.

There are various other funds which the County uses to account for specific types of funds which are reported as other non-major governmental funds. These funds include various special revenue funds such as road and bridge funds, various records management funds and funds related to the juvenile probation activities. In addition, debt service funds include tax proceeds restricted to debt retirement and capital projects funds such as the right of way fund.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Significant Accounting Policies – (Continued)

The County reports the following fiduciary funds:

Agency Funds – are custodial in nature and represent balances held for others. These agency funds are under the control of the various public officials of the County with all benefits forwarded to the public and others in the County.

Measurement Focus and Basis of Accounting

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

1. Revenue is recorded when it becomes both measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, licenses, fees and permits, intergovernmental revenues, charges for services, fines, forfeits and penalties, and interest.
2. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
3. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the County's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The fiduciary funds financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. The fiduciary funds are not included in the government-wide financial statements.

Cash and Investments

The County pools available cash from all funds for the purpose of increasing income through investment activities. Investments in U.S. government and agency securities are carried at fair value based on market prices.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Significant Accounting Policies – (Continued)

For purposes of the basic financial statements, the County considers cash equivalents to be highly liquid short-term investments that are readily convertible to known amounts of cash and mature within ninety days of the date they are acquired. Cash and cash equivalents are included in the financial statement classification cash and investments.

Capital Assets

Under GASB Statement No. 34, all capital assets, whether owned by governmental activities or business-type activities are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements. General infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and that normally are stationary in nature, including roads, bridges, drainage systems and street lighting systems.

Capital assets, including general infrastructure assets are defined as assets with an initial, individual cost of more than \$ 10,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

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. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed for proprietary funds.

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

Building, structures and improvements	27.5 to 40 years
Equipment, including vehicles	3 to 20 years
Infrastructure	15 to 40 years

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (the TCDRS) and additions to/deductions from TCDRS' Fiduciary Net Position have been determined on the same basis as they are reported to 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.

Compensated Absences

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

1. Leave or compensation is attributable to services already rendered.
2. Leave or compensation is not contingent on specific event (such as illness).

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

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Significant Accounting Policies – (Continued)

Upon termination from the County employment, an employee that has completed six months of employment shall be entitled to payment for total accrued but unused days of vacation. Comp time earned, but not taken, is paid at termination, but cannot accumulate beyond County specified limits. Once the maximum number of compensatory hours has been accumulated, employees are paid immediately for any additional compensatory hours earned. Sick leave accrues at a rate of 10 hours per month or 120 hours per year up to a maximum of 480 hours, but compensation is paid only for an illness-related absence. Unused sick leave is non-vesting and will not be paid on termination, thus vacation and comp time is the only accrued compensation liabilities recorded.

Fund Balances

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

*Nonspendable fund balance* – represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted fund balance* – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed fund balance* – represents amounts that can only be used for specific purposes imposed by a formal action of the County's highest level of decision-making authority, the Commissioners Court. Committed resources cannot be used for any other purpose unless the Commissioners Court removes or changes the specific use by taking the same formal action that imposed the constraint originally.

*Assigned fund balance* – represents amounts the County intends to use for specific purposes as expressed by the Commissioners Court or an official delegated the authority. The Commissioners Court has delegated the authority to assign fund balances to the County Judge and County Auditor acting jointly.

*Unassigned fund balance* – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for 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.

The policy includes minimum fund balance targets for the General Fund and Debt Service Fund. The General Fund unassigned fund balance is targeted to be 13% to 15% of budgeted expenditures for the year which will serve to provide for unexpected events and unanticipated needs. The debt service fund restricted fund balance is targeted as 10% - 20% of the following years debt service requirements.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Significant Accounting Policies – (Continued)

The following schedule provides information about the specific fund balance classification by fund:

	General	Capital Projects	Other Governmental	Totals
Nonspendable				
Prepaid Items	\$ 204,738		\$ 2,075	\$ 206,813
Restricted				
Retirement of Long Term Debt			323,676	323,676
Capital Projects		5,780,625		5,780,625
Public Health			132	132
Records Management			1,284,459	1,284,459
Law Enforcement Training			47,776	47,776
Court Security			109,757	109,757
Court Technology			61,582	61,582
Jail Commissary			554,575	554,575
Law Enforcement Activities			406,035	406,035
Attorney Activities			16,287	16,287
Historical Commission			13,817	13,817
Tax Assessor Activities			10,273	10,273
Committed				-
Law Library			8,868	8,868
Public Roads			2,246,407	2,246,407
Public Health			29,841	29,841
Justice Courts			139,664	139,664
Elections Administration			77,594	77,594
DWI Enforcement			14,377	14,377
Juvenile Detention/Probation			555,751	555,751
Law Enforcement Activities			736	736
Assigned				
CJC Settlement	3,177,801			3,177,801
Unassigned	13,300,773			13,300,773
Totals	\$ 16,683,312	\$ 5,780,625	\$ 5,903,682	\$ 28,367,619

Budgetary Principles

The County is required by law to adopt an annual budget on or before the 1<sup>st</sup> day of its fiscal year. The County Judge and the County Auditor submit an annual budget to the Commissioner's Court in accordance with the laws of the State of Texas. The General and Debt Service governmental fund types have legally adopted budgets. From the effective date of the budget, the amounts stated therein as proposed expenditures become appropriations to the various County departments. Throughout the fiscal year the budget was amended to add supplemental appropriations. All amendments to the budget which change the total appropriation amount for any department require County Commissioner's Court approval.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers and debt service. Expenditures may not exceed appropriations at the department level. Within this control level, management may transfer appropriations between line items. Budget revisions and the line item transfers are subject to final review by the Commissioners Court. Revisions to the budget were made throughout the year. Unexpected appropriations for annually budgeted funds lapse at fiscal year-end.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

A. Summary of Significant Accounting Policies – (Continued)

GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and other major special revenue funds with legally adopted budgets be presented in the basic financial statements. The statements are identified as required supplementary information. These statements must display original budget, amended budget and actual results (on a budgetary basis).

Property Taxes

Property taxes are levied by October 1, 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 October 1 levy date. 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 tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter (60 days) to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the County to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The County levied taxes on property within the County at \$ 0.490379 to fund general operations including road and bridge activities and \$ 0.022090 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 5,020,670,009.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. As such, actual results could differ from those estimates.

B. Cash and Investments

The County's funds are deposited and invested under the terms of a depository agreement. The agreement requires the depository to pledge approved securities in an amount significant to protect the County's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At September 30, 2017, all County cash deposits were covered by FDIC insurance or by pledged collateral held by the County or by the depository in the County's name. The County's deposits appear to have been properly secured throughout the fiscal year.

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

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

B. Cash and Investments – (Continued)

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the County appears to have adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, obligations of the U.S. Treasury, certain U.S. agencies and the State of Texas, certificates of deposit, certain municipal securities, money market savings accounts, repurchasing agreements, bankers' acceptance, mutual funds, investment pools, guaranteed investment contracts and common trust funds.

The County's investments at September 30, 2017 are shown below:

<u>Investment or Investment Type</u>	<u>Interest Rate</u>	<u>Credit Rating</u>	<u>Fair Value</u>
TexSTAR	0.099%	AAAm	\$ 3,244,040
TexPool	0.085%	AAAm	5,279,038
LOGIC	0.092%	AAAm	9,733,722
Certificates of Deposit	0.950%	n/a	1,083,137
Total investments			<u>\$ 19,339,937</u>

The County has investments with the following public funds investment pools as of year end:

*Texas Local Government Investment Pool (TexPool)* has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

The fund is rated AAAm by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's. This rating as well as the operational policies and procedures allow the fund to comply with the requirements of the Public Funds Investment Act.

*Texas Short Term Asset Reserve Program (TexSTAR)* has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities (Participants) to invest their public funds and funds under their control through the investment pools.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

B. Cash and Investments – (Continued)

J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (Board). JPMIM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

The Board may establish separate Funds within TexSTAR from time to time. Participants choose the Funds in which their deposits are invested. Participants' assets in the Funds are represented by units of beneficial interest (units). The Board may issue an unlimited number of units in each Fund.

TexSTAR is rated AAAM by Standard & Poor's rating agency. This rating and the fund's operational settings allow the fund to comply with the requirement of the Public Funds Investment Act.

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. 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 agencies are designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the County's name. At year end, the County was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the County was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the County was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the County was not exposed to foreign currency risk.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

C. Capital Assets

Capital asset activities during the fiscal year were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Nondepreciable Assets:</b>				
Land	\$ 897,896	\$ -	\$ -	\$ 897,896
<b>Total</b>	<b>\$ 897,896</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 897,896</b>
<b>Depreciable Assets:</b>				
Buildings and Improvements	\$ 25,376,911	\$ -	\$ -	\$ 25,376,911
Roads and Infrastructure	44,879,574	201,432	-	45,081,006
Furniture, Machinery and Equipment	13,372,249	1,064,569	210,291	14,226,527
<b>Total</b>	<b>\$ 83,628,734</b>	<b>\$ 1,266,001</b>	<b>\$ 210,291</b>	<b>\$ 84,684,444</b>
<b>Less Accumulated Depreciation</b>				
Buildings and Improvements	\$ 11,139,613	\$ 657,254	\$ -	\$ 11,796,867
Roads and Infrastructure	30,224,911	800,947	-	31,025,858
Furniture, Machinery and Equipment	11,572,274	840,470	202,153	12,210,591
<b>Total</b>	<b>\$ 52,936,798</b>	<b>\$ 2,298,671</b>	<b>\$ 202,153</b>	<b>\$ 55,033,316</b>
<b>Total Capital Assets being Depreciated, net</b>	<b>\$ 30,691,936</b>	<b>\$ (1,032,670)</b>	<b>\$ 8,138</b>	<b>\$ 29,651,128</b>
<b>Total Governmental Activities Capital Assets</b>	<b>\$ 31,589,832</b>	<b>\$ (1,032,670)</b>	<b>\$ 8,138</b>	<b>\$ 30,549,024</b>

Depreciation was charged to governmental activities functions as follows:

<b>Governmental Activities:</b>	
General Government	\$ 242,189
Judicial	168,499
Public Safety	532,691
Corrections and Rehabilitation	306,127
Health and Human Services	5,744
Infrastructure	1,043,421
<b>Total</b>	<b>\$ 2,298,671</b>

D. Long-Term Obligations

The County's long-term debt consists of permanent improvement bonds issued to finance the construction of a new County jail facility; general obligation bonds issued to finance the renovation of the County courthouse facility, and capital lease agreements used to finance the purchase of heavy road equipment, energy saving equipment, and data processing software. Other long-term debt consists of the accrued liability for employee-vested compensated absences, unamortized bond premium and other post-employment benefits.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

D. Long-Term Obligations - (Continued)

Changes in Long Term Obligations

The following is a summary of changes in long-term obligations reported in the government-wide financial statements for the fiscal year:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	\$ 2,985,000	\$ 5,795,000	\$ 980,000	\$ 7,800,000	\$ 1,280,000
Bond Premium	-	289,750		289,750	
Compensated Absences	349,029	411,810	378,123	382,716	
OPEB Benefits	5,869,339	796,103		6,665,442	
Comptroller Overpayment	1,062,824	-	58,179	1,004,645	
Loans	1,995,000	-	40,000	1,955,000	40,000
Leases	336,012	564,816	291,318	609,510	343,773
<b>Total</b>	<b>\$ 12,597,204</b>	<b>\$ 7,857,479</b>	<b>\$ 1,747,620</b>	<b>\$ 18,707,063</b>	<b>\$ 1,663,773</b>

Bonds

At year end, the County has outstanding the following obligation bonds originally issued for acquisition and construction of capital improvements in the County. General obligation debt has been issued for general government activities.

The County issued "Hunt County, Texas Limited Tax Permanent Improvement Bonds, Series 2017" on July 11, 2017 to provide funds for construction, improving and maintaining roads and bridges within the County including the acquisition of land and right-of-way therefor including participating in the cost of joint projects with various state, city and regional council of government entities and paying the related costs of issuance. The bonds are issued in various amounts maturing annually with semi-annual interest payments on the unpaid balances incurring an average interest cost of 2.49%. The bonds will fully mature in 2037.

Bonds are direct obligations and pledge the full faith and credit of the County. Bonds outstanding at year end are as follows:

	Interest Rate	Date of Maturity	Original Issue	Balance Outstanding
Refunding Bonds, Series 2015	1.35%	2019	\$ 3,955,000	\$ 2,005,000
Permanent Improvement Bonds, Series 2017	2.49%	2037	5,795,000	5,795,000
<b>Totals</b>				<b>\$ 7,800,000</b>

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

D. Long-Term Obligations - (Continued)

Maturity requirements on the outstanding bonded debt listed above are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2018	\$ 1,280,000	\$ 235,280	\$ 1,515,280
2019	1,020,000	186,973	1,206,973
2020	10,000	179,350	189,350
2021	15,000	178,975	193,975
2022	15,000	178,524	193,524
2023-2027	1,540,000	738,225	2,278,225
2027-2032	1,785,000	457,575	2,242,575
2033-2037	2,135,000	165,075	2,300,075
Totals	<u>\$ 7,800,000</u>	<u>\$ 2,319,977</u>	<u>\$ 10,119,977</u>

Authorized but Unissued Bonds

The voters in the County authorized the following bonded debt. Amounts unissued at year end are as follows:

Purpose	Election Date	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Road Projects	11/8/2016	\$ 24,420,000	-	\$ 6,000,000	\$ 18,420,000

Compliance with Debt Covenants

There are various limitations and restrictions contained in the County's bonded debt obligations. The County believes they are in compliance with all significant limitations and restrictions.

Loans

The County issued various agreements identified here as loans. These loans include financing arrangements including maintenance tax notes. The Notes mature annually along with interest paid semi-annually. The interest rate is 2.05% and the Notes will fully mature March 1, 2022.

The following schedule lists the outstanding loans at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Hunt County, Texas, Tax Notes, Series 2015	2.05%	\$ 2,035,000	\$ 1,995,000

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

D. Long-Term Obligations - (Continued)

Maturity requirements on outstanding loans are as follows:

Year Ending September 30	Principal	Interest	Total Requirements
2018	40,000	20,039	60,039
2019	40,000	39,667	79,667
2020	40,000	38,847	78,847
2021	615,000	32,134	647,134
2022	625,000	19,424	644,424
2023	635,000	6,506	641,506
Totals	\$ 1,995,000	\$ 156,617	\$ 2,151,617

Comptroller Overpayment

In prior years, the County received notification from the State of Texas of chargebacks on sales tax collections remitted to the County. The notice identifies chargebacks from March 2002 through September 2011. The total chargebacks, \$ 924,847 will be reduced by \$ 18,487 for service fees retained by the County leaving a net balance to be refunded to the State of \$ 906,360. The State agreed to a 40 year payback period beginning April 2015 in the amount of \$ 1,888.23 monthly with no interest or penalty charged the County.

The County received notification from the State of additional sales tax chargebacks totaling \$ 213,111 during the 2015 year. The State has allowed a 6 year repayment term beginning in the 2017 fiscal year. No interest is to be incurred on this repayment schedule. The repayment terms require 72 monthly payments of \$ 2,960 with the final payment to be made September 2022.

Capital Leases

The County is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased:

Description	Interest Rate	Original Amount	Outstanding Amount
BB&T Financing - Equipment	1.33%	\$ 336,012	\$ 187,920
Signature Public Finance - Boom Mower	1.54%	212,848	133,797
Signature Public Finance - Motor Grader/Truck	1.71%	351,968	287,793
Total			\$ 609,510

The lease terms are for monthly payments over less than 48 and ending December 2020. The terms call for monthly payments over the life of the leases.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

D. Long-Term Obligations - (Continued)

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of year end are as follows:

<u>Year Ending September 30</u>	<u>Total Requirements</u>
2018	\$ 350,910
2019	156,051
2020	91,098
2021	<u>22,775</u>
Total Minimum Lease Payment	\$ 620,834
Less Amount Representing Interest	<u>(11,324)</u>
Present Value of Minimum Lease Payments	<u>\$ 609,510</u>

Compensated Absences

Compensated absences are paid from the fund responsible for the employee's compensation with significant liabilities payable from the General Fund.

E. Commitments and Contingencies

Litigation – The County's outside counsel has indicated that there are various lawsuits filed and pending against the County, the majority of which should not result in an unfavorable outcome or have a material effect on the County's financial position. As such no contingent liability has been estimated.

Grants – The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Other – There appears to be a potential for structural problems for the County's criminal justice center. As of the report date, the cost of any necessary repairs, if any, has not been determined. No liability is reflected in the County's balance sheet for this contingency as of September 30, 2017. The County received funds from plaintiffs in settlement of various actions and claims. These funds have been set aside by the Commissioners Court to provide for future repairs to the center.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

F. Pension Plan

Plan Description – The County provides pension, disability and death benefits for all of its full-time employees through a statewide, multiple-employer, public-employee retirement system through the Texas County District Retirement System (the TDRS). The system serves 677 actively participating counties and districts throughout Texas. Each employer has its own defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan. The TCDRS 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 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 or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. A member is vested after 8 years but must leave his accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Contributions – The County has elected the annually determined contribution rate (ADCR) plan provisions if 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.

Employees of the County were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the County were 9.85% and 10.00% in calendar years 2016 and 2017, respectively. The County's contributions to TCDRS for the year ended September 30, 2017 were \$ 1,509,903 and were equal to the required contributions.

Discount Rate – The discount rate used to measure the total pension liability was 8.1%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investment is 8.1%. The long-term expected rate of return 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 2015 information for a 7-10 year time horizon.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

F. Pension Plan (Continued)

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

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected minus Inflation) (2)
US Equities	Dow Jones US Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.45%
International Equities - Emerging	MSCI World Ex USA (net)	8.00%	6.45%
Investment - Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High Yield Bonds	Citigroup High-Yield Cash Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRANAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (4)	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc (HFR) Fund of Funds Composite Index	25.00%	5.25%
Total		100.00%	

(1) Target asset allocation adopted at the April 2015 TCDRS board meeting.  
(2) Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions  
(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs  
(4) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs

Changes in the Net Pension Liability – At December 31, 2016, the County reported a net pension liability/(asset) of \$ 5,996,840. The changes in net pension liability (asset) were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/15	\$ 61,164,157	\$ 55,276,549	\$ 5,887,608
Changes for the year:			
Service cost	2,420,713	-	2,420,713
Interest	4,938,827	-	4,938,827
Change in benefit terms	-	-	-
Diff between expected/actual experience	(508,761)	-	(508,761)
Changes of assumptions	-	-	-
Contributions - employer	-	1,591,206	(1,591,206)
Contributions - employee	-	1,130,807	(1,130,807)
Net investment income	-	4,085,843	(4,085,843)
Benefit payments, including refunds of employee contributions	(2,810,263)	(2,810,263)	-
Administrative expenses	-	(44,458)	44,458
Other charges	-	(21,851)	21,851
Net changes	\$ 4,040,516	\$ 3,931,284	\$ 109,232
Balance at 12/31/16	\$ 65,204,673	\$ 59,207,833	\$ 5,996,840

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

F. Pension Plan (Continued)

The net pension liability was measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date and for the year then ended.

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

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

Discount Rate Sensitivity Analysis – The following presents the net pension liability of the County, calculating the discount rate of 8.1%, as well as what the County’s net pension liability 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.

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	Increase in Discount Rate (9.1%)
County's net pension liability	\$ 15,032,328	\$ 5,996,840	\$ (1,448,362)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the County recognized pension expense of \$ 2,848,662.

At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience (net of current year amortization)		\$ 802,568
Changes in actuarial assumptions	326,846	
Differences between projected and actual investment earnings (net of current year amortization)	3,527,102	
Contributions subsequent to the measurement date	1,107,349	
Total	\$ 4,961,297	\$ 802,568

\$ 1,107,349 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year ending December 31	
2017	\$ 1,024,884
2018	1,024,879
2019	924,533
2020	77,084
2021	-
Thereafter	-

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

G. Risk Management

The County is exposed to various risks of loss related to auto liability, unemployment and workers' compensation. The County has obtained liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Association of Counties Self Insurance Funds (TAC). TAC is a self-funded plan operating as a common risk management and insurance program. The County pays an annual premium to TAC for its above insurance coverage. The agreement for the formation of TAC provides that TAC will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The County continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Interfund Balances and Activities

Operating Transfers

Transfers to and from other funds during the year consisted of the following:

Transfer From	Transfer To	Amount	Purpose
General Fund	Juvenile Probation Fund	\$ 550,000	Annual Support
General Fund	Law Library Fund	65,000	Support
General Fund	Road & Bridge #2 Fund	105,000	Support
General Fund	Grant Fund	222,182	Matching Funds
Jail Commissary Fund	General Fund	119,183	Support
Sheriff Crime Control Fund	General Fund	135,529	Support
Count Attorney Fee Fund	General Fund	7,204	Support
District Attorney Forfeiture	General Fund	94,619	Support
State Health Fund	Count Health Fund	1,826	Support
District Attorney Fee Fund	General Fund	3,295	Support
Tax Office VIT Fund	General Fund	16,480	Support
Totals		<u>\$ 1,320,318</u>	

Interfund Receivables and Payables

Balances due to and due from other funds at year end consisted of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Agency Funds	\$ 11,925
Special Revenue Fund	General Fund	2,551,713
General Fund	Special Reenuue Fund	3,500
Capital Projects Fund	General Fund	180,549
General Fund	Capital Projects Fund	13,166
Total		<u>\$ 2,760,853</u>

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

I. Receivables

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Governmental Activities</u>
Receivables	
Property Taxes	\$ 2,944,543
Sales Taxes	759,316
Grants and Other	312,124
Fines, Fees and Court Costs	<u>5,021,955</u>
Total Gross Receivables	\$ 9,037,938
Less: Allowance for Uncollectibles	
Taxes	353,346
Fines, Fees and Court Costs	<u>4,770,857</u>
Net Total Receivables	<u><u>\$ 3,913,735</u></u>

J. Post-Employment Benefits Other Than Pension Benefits

From an accrual accounting perspective, the cost of post-employment benefits, like the cost of pension benefits, generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended September 30, 2009, the County recognizes the cost of postemployment benefits in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the County's future cash flows. Recognition of the liability accumulated from prior years was recognized in the current beginning net asset balances as a onetime charge to the account.

Plan Description

The County provides post-employment benefits for certain employees for current and future health, dental and life insurance benefit expenses through a single-employer defined benefit plan. An annual actuarial valuation is made to determine whether the contributions are sufficient to meet the plan obligations. The latest actuarial valuation was made December 31, 2016. The post-employment plan does not issue stand-alone financial reports.

Plan Participants

Full-time employees of the County who retire after October 1, 2004 are eligible to participate in the retiree health care plan effective the first day of the next month, and will receive a county paid insurance subsidy. Full-time employees of the County who retired prior to October 1, 2004 were not eligible to receive a county paid insurance.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

J. Post-Employment Benefits Other Than Pension Benefits - (Continued)

Normal Retirement Benefits

*Health Care Benefit Eligibility Conditions*

Active full-time Employees must be eligible for retirement under the Texas County and County Retirement System (TCDRS). Such covered employee must meet the County's "rule of 75" requirement of combined years of service and years of age in addition to current guidelines for being vested and qualified to retire from the County. The guidelines to qualify for retirement in force at the time of the covered employee's retirement shall apply.

- Age 60 with 8 years of service;
- Any age with 30 years of service;
- Rule of 75 (age plus years of service equals 75).

Once a retiree reaches Medicare eligibility, they are no longer eligible to purchase the County's health insurance.

*Health Care Benefit Provided by Plan*

- Member:** Under age 65, 100% covered by the County for retirees who retired after October 1, 2004
- Spouse:** Under age 65, 100% paid by retiree
- Dependent:** Until age 23 if full-time student, 100% paid by retiree

*Early Retirement Benefits*

Early retirement benefits are available only if conditions for retirement have been met according to the TCERS plan – vested and age 60, service time plus age equals 75, or completed 30 years' service time at any age. Eight years of service credit in the TCERS system are required to vest for retirement and qualify for the County's contribution.

*Deferred Retirement Benefits*

NONE

*Death in Service Retirement Benefits*

Spouse and Dependent coverage is available prior to age 65. Retiree, Spouse or Dependent pays 100% of retiree premium.

*Disability Retirement Benefits*

Same as Normal Retirement

*Dental Coverage*

Members and spouses retiring with retiree health care benefits are eligible for dental benefits.

*Life Insurance*

Coverage offered of \$ 2,500 of life insurance. Retirees pay \$ 0.92 per month.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

J. Post-Employment Benefits Other Than Pension Benefits - (Continued)

*Monthly Premiums*

	Employee	Employee & Spouse *
BlueCross BlueShield of Texas (Medical)	\$ 788	\$ 863
BlueCross BlueShield of Texas (Dental)	\$ 23	\$ 48
Lincoln Life	\$ 5	-

\* Various premiums are incurred in other categories including child, children and family.

Funding Policy and Annual OPEB Cost

The County's annual other post-employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that, if paid on an ongoing basis, is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The County had its first OPEB actuarial valuation performed for the fiscal year beginning October 1, 2009 as required by GASB. The annual OPEB cost for the fiscal year ended September 30, 2017, is as follows:

Annual required contribution	\$ 1,247,417
Interest on OPEB obligation	234,774
Adjustment to ARC	(228,709)
Annual OPEB cost (expense) end of year	<u>1,253,482</u>
Net estimated employer contributions	(457,380)
Increase in net OPEB obligation	\$ 796,102
Net OPEB obligation - as of beginning of the year	<u>5,869,339</u>
Net OPEB obligation (asset) - as of end of year	<u>\$ 6,665,441</u>

The County's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2017 and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percentage Contributed	Net OPEB Obligation
September 30, 2015	1,148,487	436,149	38.0%	5,213,720
September 30, 2016	1,184,851	529,232	44.7%	5,869,339
September 30, 2017	1,253,482	457,380	36.5%	6,665,441

Funded Status

The funded status of the County's retiree health care plan, under GASB Statement No. 45 as of December 31, 2017 is as follows:

Actuarial Valuation Date as of	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (d)	Ratio of UALL to Annual Covered Payroll (b-a)/d
12/31/2016	\$0	\$10,855,188	\$10,855,188	0.0%	\$15,191,059	71.46%

Under the reporting parameters, the County's retiree health care plan is 0.0% funded with the actuarial accrued liability exceeding the actuarial assets by \$ 10,855,188 at December 31, 2016. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 71.46%.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

J. Post-Employment Benefits Other Than Pension Benefits - (Continued)

Actuarial Methods and Assumptions

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the County's retiree benefit plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic funding for these anticipated payments. The yearly ARC is computer to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

*Actuarial Methods and Assumptions*

Inflation rate	2.50% per annum
Investment rate of return	4.0% per annum, net of expenses
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30 year open amortization
Salary growth	3.0% per annum
Healthcare cost trend rate	Initial rate of 7.50% declining to an ultimate rate of 5.50% after 9 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

K. Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The plan, available to all County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

L. Subsequent Events

The County's management has evaluated subsequent events through May 28, 2018, the date which the financial statements were available for issue.

HUNT COUNTY, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2017

M. Change in Accounting Principles

In fiscal year 2017, the District adopted three new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 72, *Fair Value Measurement and Application*
  - Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
  - Statement No. 77, *Tax Abatement Disclosures*
- a) Statement No. 72 requires state and local governments to measure investments at fair value using a consistent definition and valuation techniques; also defines what assets and liabilities governments should measure at fair value and expands fair value disclosures in financial disclosure notes. While the Statement generally requires restatement of prior period balances in the year of implementation, the nature of the District's investments was such that their carrying amount was not affected.
- b) The GAAP hierarchy prioritizes guidance governments follow when preparing U.S. GAAP financial statements. Statement No. 76 reduces authoritative GAAP hierarchy from four categories to two and lists the order of priority for pronouncements to which a government should look for guidance.
- c) Statement No. 77 requires governments granting tax abatements to individuals and businesses to disclose program information in the notes to the financial statements through the agreement's duration and also requires disclosures about tax abatements entered into by other governments that reduce the reporting government's tax revenue. Prior year balances were not restated because there are no tax abatements associated with the District or any other government which affect the District's tax revenue. GASB Statement No. 77 is effective for the 2017 County fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**HUNT COUNTY, TEXAS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
<b>REVENUES</b>				
Taxes - Property	\$ 19,396,564	\$ 19,396,564	\$ 19,752,583	\$ 356,019
Taxes - Sales Tax and Other	3,888,000	4,403,000	5,279,783	876,783
Fees	1,960,961	3,402,519	3,433,697	31,178
Motor Vehicle Fees	960,000	1,144,500	93,865	(1,050,635)
Intergovernmental Support	588,214	683,293	610,858	(72,435)
Investment Earnings	17,500	80,000	426,505	346,505
Miscellaneous	295,643	622,340	882,847	260,507
<b>Total Revenues</b>	<b>\$ 27,106,882</b>	<b>\$ 29,732,216</b>	<b>\$ 30,480,138</b>	<b>\$ 747,922</b>
<b>EXPENDITURES</b>				
Current:				
General Government	\$ 6,670,003	\$ 8,117,214	\$ 6,313,656	\$ 1,803,558
Judicial	8,974,235	9,914,245	8,855,045	1,059,200
Public Safety	6,884,431	7,082,791	6,769,293	313,498
Corrections and Rehabilitation	6,098,456	6,370,084	5,779,872	590,212
Health and Human Services	899,678	915,015	765,944	149,071
Community Development	203,484	204,021	188,833	15,188
Infrastructure	500	500	500	-
Debt Service	58,911	58,911	58,179	732
<b>Total Expenditures</b>	<b>\$ 29,789,698</b>	<b>\$ 32,662,781</b>	<b>\$ 28,731,322</b>	<b>\$ 3,931,459</b>
Excess (Deficiency) of Revenues over Expenditures	<b>\$ (2,682,816)</b>	<b>\$ (2,930,565)</b>	<b>\$ 1,748,816</b>	<b>\$ 4,679,381</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	\$ 511,555	\$ 464,175	\$ 376,310	\$ (87,865)
Transfers Out	(829,327)	(933,977)	(942,182)	(8,205)
Special Item - Litigation Settlement	-	-	223,300	223,300
<b>Net Other Financing Sources (Uses)</b>	<b>\$ (317,772)</b>	<b>\$ (469,802)</b>	<b>\$ (342,572)</b>	<b>\$ 127,230</b>
<b>Net Change in Fund Equity</b>	<b>\$ (3,000,588)</b>	<b>\$ (3,400,367)</b>	<b>\$ 1,406,244</b>	<b>\$ 4,806,611</b>
Fund Equity - October 1 (Beginning)	15,277,068	15,277,068	15,277,068	-
<b>Fund Equity - September 30 (Ending)</b>	<b>\$ 12,276,480</b>	<b>\$ 11,876,701</b>	<b>\$ 16,683,312</b>	<b>\$ 4,806,611</b>

**HUNT COUNTY, TEXAS  
SCHEDULE OF FUNDING PROGRESS  
OTHER-POST EMPLOYMENT BENEFITS  
YEAR ENDED SEPTEMBER 30, 2017**

Fiscal Year Ended	Employer Annual Required Contribution	Employer Amount Contributed (est.)	Interest on NOO (9) x 4.5%	ARC Adjustment (9) / (6)	Amortization Factor	OPEB Cost (2)+(4)-(5)	Change in NOO (7) - (3)	NOO Balance NOO +(8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
September 30, 2009	\$ 950,998	\$ 95,416	\$ -	\$ -	23.98540	\$ 950,998	\$ 855,582	\$ 855,582
September 30, 2010	979,528	152,579	38,501	35,671	23.98540	982,358	829,779	1,685,361
September 30, 2011	914,264	215,457	75,841	70,266	23.98540	919,839	704,382	2,389,743
September 30, 2012	941,692	239,156	107,538	99,633	23.98540	949,597	710,441	3,100,184
September 30, 2013	945,368	243,608	109,427	100,746	23.98540	954,049	710,441	3,810,625
September 30, 2014	1,093,377	415,225	171,478	158,873	23.98540	1,105,982	690,757	4,501,382
September 30, 2015	1,133,597	436,149	202,562	187,672	23.98540	1,148,487	712,338	5,213,720
September 30, 2016	1,167,605	529,232	234,617	217,371	23.98540	1,184,851	655,619	5,869,339
September 30, 2017	1,247,417	457,380	234,774	228,709	25.66294	1,253,482	796,102	6,665,441

HUNT COUNTY, TEXAS  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
YEAR ENDED DECEMBER 31, 2017

	Measurement Period Ended December 31		
	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 2,420,713	\$ 2,176,453	\$ 2,098,215
Interest (on the total pension liability)	4,938,827	4,635,362	4,346,201
Changes of benefit terms	-	(434,675)	-
Difference between expected and actual experience	(508,761)	(554,351)	(359,552)
Change of assumptions	-	653,694	-
Benefit payments, including refunds of employee contributions	(2,810,263)	(2,677,078)	(2,644,960)
<b>Net Change in Total Pension Liability</b>	<b>\$ 4,040,516</b>	<b>\$ 3,799,405</b>	<b>\$ 3,439,904</b>
<b>Total Pension Liability - Beginning</b>	<b>61,164,157</b>	<b>57,364,752</b>	<b>53,924,848</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 65,204,673</b>	<b>\$ 61,164,157</b>	<b>\$ 57,364,752</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employer	\$ 1,591,206	\$ 1,660,857	\$ 1,600,226
Contributions - Employee	1,130,807	1,149,951	1,075,007
Net investment income	4,085,843	(334,002)	3,515,409
Benefit payments, including refunds of employee contributions	(2,810,263)	(2,677,078)	(2,644,960)
Administrative expense	(44,458)	(39,852)	(41,408)
Other	(21,850)	29,749	(23,263)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 3,931,285</b>	<b>\$ (210,375)</b>	<b>\$ 3,481,011</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>55,276,549</b>	<b>55,486,925</b>	<b>52,005,914</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 59,207,834</b>	<b>\$ 55,276,550</b>	<b>\$ 55,486,925</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 5,996,839</b>	<b>\$ 5,887,607</b>	<b>\$ 1,877,827</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>90.80%</b>	<b>90.37%</b>	<b>96.73%</b>
<b>Covered Employee Payroll</b>	<b>\$ 16,154,392</b>	<b>\$ 16,427,865</b>	<b>\$ 15,357,244</b>
<b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	<b>37.12%</b>	<b>35.84%</b>	<b>12.23%</b>

HUNT COUNTY, TEXAS  
 SCHEDULE OF CONTRIBUTIONS  
 YEAR ENDED SEPTEMBER 30, 2017

	Fiscal Year Ended September 30		
	2017	2016	2015
Actuarially determined contribution	\$ 1,509,903	\$ 1,507,954	\$ 1,604,822
Contributions in relation to actuarially determined contribution	(1,509,903)	(1,507,954)	(1,604,822)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 15,160,277	\$ 15,191,059	\$ 15,761,313
Contributions as a percentage of covered employee payroll	9.96%	9.93%	9.93%

**HUNT COUNTY, TEXAS  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
YEAR ENDED DECEMBER 31, 2017**

The following information is supplied to provide additional data for review of the District's pension information.

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	14.0 years
Asset Valuation Method	5-yr; smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service, 4.9% average over career including inflation
Investment Rate of Return	8.0%, net investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

**Other Information:** There were no benefit changes during the year.