WOOD COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2017

WOOD COUNTY, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2017

	Page Number
FINANCIAL SECTION	
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Assets and Liabilities – Agency Funds	17
Notes to Financial Statements	18 – 36
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	37
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Road and Bridge	38

WOOD COUNTY, TEXAS

TABLE OF CONTENTS

SEPTEMBER 30, 2017

	Page Number
Notes to Budgetary Schedules	39
Schedule of Changes in Net Pension Liability and Related Ratios	40
Schedule of Employer Contributions	41
Notes to Schedule of Employer Contributions	42
Schedule of Funding Progress for Post-retirement Health Care Benefit Plan	43
Combining Statements:	
Nonmajor Governmental Funds:	
Combining Balance Sheet	44 – 47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	48 – 51
Agency Funds:	
Combining Statement of Assets and Liabilities	52 – 53
INTERNAL CONTROL AND COMPLIANCE REPORT	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*	54 – 55

FINANCIAL SECTION

THIS PAGE LEFT BLANK INTENTIONALLY

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and
Commissioners' Court
Wood County

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 Wood County, Texas, (the "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

The County's 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.

WACO, TX
401 West Highway 6
Waco, Texas 76710
254.772.4901
www.pbhcpa.com

HOUSTON, TX
281.671.6259

RIO GRANDE VALLEY, TX
956.544.7778

TEMPLE, TX
254.791.3460

ALBUQUERQUE, NM
505.266.5904

AICPA Governmental Audit Quality Center

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10, budgetary comparison information on pages 37 through 39, pension information on pages 40 through 42 and Schedule of Funding Progress for the Post-retirement Health Care Benefit Plan on page 43 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. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 combining fund financial statements 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 June 25, 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 25, 2018

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S
DISCUSSION AND ANALYSIS

THIS PAGE LEFT BLANK INTENTIONALLY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Wood 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. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by $32,935,846.
- Of this amount, $20,480,805 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $25,778,938. Of this amount, $15,571,178 is available for spending at the County's discretion (unassigned fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was $15,571,178 or 109% of total General Fund annual expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise 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.

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

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

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the full accrual basis of accounting.

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.

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

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

The County maintains 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Road and Bridge Fund, which are considered to be major funds. Data from the other 23 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General Fund and Road and Bridge Fund, as well as many other funds. Budgetary comparison schedules have been provided for the General Fund and the Road and Bridge Fund to demonstrate compliance with the budget.

Agency funds. Agency funds are used to report resources held by the County in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Since the agency funds are fiduciary funds, these funds are not reported in the government-wide financial statements.

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 in the financial section.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET POSITION

	2017	2016
Current assets	$ 29,307,728	$ 27,474,287
Capital assets	6,815,494	6,494,165
Total assets	36,123,222	33,968,452
Deferred outflows of resources	2,949,814	3,434,919
Current liabilities	1,472,246	1,582,369
Noncurrent liabilities	4,118,953	4,138,266
Total liabilities	5,591,199	5,720,635
Deferred inflows of resources	545,991	496,604
Net position:		
Net investment in capital assets	6,815,494	6,494,165
Restricted	5,639,547	5,458,005
Unrestricted	20,480,805	19,233,962
Total net position	$ 32,935,846	$ 31,186,132

Net position serves as a useful indicator of a government's financial position. In the case of the County, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $32,935,846 as of September 30, 2017, an increase of $1,749,714 as compared to the previous fiscal year. Unrestricted net position makes up 62% of the County's net position for the current fiscal year, which may be used to meet the County's ongoing obligations to citizens and creditors. Net investment in capital assets (e.g. land, construction in progress, infrastructure, buildings and improvements, and equipment less any related debt used to acquire those assets that is still outstanding) was $6,815,494 or 21% of total net position. The County uses these capital assets to provide services to citizens: consequently, these assets are not available for future spending. Restricted net position was $5,639,547 or 17% of total net position.

ANALYSIS OF REVENUES AND EXPENSES

	2017	2016
Revenues:		
Program revenues:		
Charges for services	$ 3,573,136	$ 3,743,187
Operating grants and contributions	348,597	597,350
General revenues:		
Taxes	17,675,295	17,619,820
Investment earnings	341,028	216,057
Miscellaneous	53,343	42,621
Gain on sale of capital assets	105,778	133,628
Total revenues	22,097,177	22,352,663
Expenses:		
General government	4,915,795	4,523,629
Community services	763,523	1,386,703
Judicial	2,612,571	2,553,530
Public safety	6,717,883	6,255,621
Public transportation	5,337,691	5,348,707
Total expenses	20,347,463	20,068,190
Change in net position	1,749,714	2,284,473
Net position, beginning	31,186,132	28,901,659
Net position, ending	$ 32,935,846	$ 31,186,132

Revenues decreased from the prior year by $255,486 (1%). Major changes during the fiscal year include the following:

- A decrease in operating grants and contributions of $248,753. This decrease is primarily the result of a reduction of $450,000 in Texas Community Development Grant funds received offset by grant funds received for rural fire protection and homeland security of $133,000.

- A decrease in charges for services of $170,051. This decrease was mostly caused by a reduction of $112,000 in Texas Department of Transportation Grant funds received and a reduction in RV park fees of $68,000 due to the park being closed for eight months.

- An increase in investment earnings of $124,971. This increase can be attributed to an increase in funds invested in certificates of deposits and money market accounts as well as interest rates being slightly higher than the previous year.

Expenses reflect an increase of $279,273 (less than 1%) from the prior year. The most significant changes from the previous year were the following:

- A decrease of $623,180 in community services. This decrease is primarily the result of a reduction in expenditures related to rural water projects of which are funded by Texas Community Development Grants.

- An increase in public safety of $462,261. This increase is due to the addition of a courthouse security department at the cost of $213,000, a $170,000 increase in pension expense within the public safety function, wages and fringe benefits of $70,000 as a result of position vacancies being filled, and repairs to the mobile command trailer of $39,000.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $25,778,938. $15,571,178 of this amount constitutes unassigned fund balance. $368,218 is classified as nonspendable for the payment of prepaid items. $5,367,563 is restricted by legislation or external entities. $901,981 has been committed by the Commissioners Court, $1,464,475 is assigned for the payment of future health claims and $2,105,523 is assigned for a budgetary deficit in the subsequent year's budget.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, 80% of the General Fund fund balance ($15,571,178) was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare unassigned General Fund fund balance and total General Fund expenditures. Unassigned fund balance represents 109% of total General Fund expenditures.

The General Fund fund balance increased by $1,741,989 (10%) during the current fiscal year.

The Road and Bridge Fund had an ending fund balance of $3,593,655, a decrease of 1% from the prior year.

BUDGETARY HIGHLIGHTS

General Fund Budgetary Highlights

Actual revenues for the year were $15,879,713, which is $703,303 above the budgeted amount of $15,176,410. The actual expenditures for the year were $14,220,598, which is $1,440,977 lower than the budgeted amount of $15,661,575. Including other financing sources and uses, the net effect of over-realization of revenue and under-utilization of appropriations resulted in a positive variance of $2,144,280.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The investment in capital assets for the County as of September 30, 2017, amounted to $6,815,494 (net of accumulated depreciation).

CAPITAL ASSETS

	2017	2016
Land	$ 2,281,769	$ 2,171,266
Infrastructure	60,554	60,554
Buildings and improvements	9,337,157	9,337,157
Equipment	11,260,843	10,216,837
Less: accumulated depreciation	(16,124,829)	(15,291,649)
Total capital assets	$ 6,815,494	$ 6,494,165

Major capital asset additions during the current fiscal year included the following:

- The purchase of land for $110,000 in the Facilities Department.
- The purchase of an Asphalt Zipper, a backhoe loader, a boom mower, a motor grader, and various equipment in the Road and Bridge Precincts for $1,048,700.
- The purchase of six vehicles in the Sheriff's Department for $196,076.

Additional information on capital assets can be found in Note III – B of this report.

OUTSTANDING LONG-TERM LIABILITIES AT YEAR-END

The County's long-term liabilities consisted solely of compensated absences, pension and other post-employment obligations. The County has no bonds or notes payable.

	2017	2016
Net OPEB obligation	$ 1,194,749	$ 1,014,238
Compensated absences	504,453	484,471
Net pension liability	2,419,751	2,639,557
Total	$ 4,118,953	$ 4,138,266

Additional information on long-term debt can be found in Note III – C of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when the County prepared and approved the 2018 budget, tax rates and fees. The resulting budget reflected these considerations. For this budget year, road and bridge maintenance, county facilities, and capital asset needs were major concerns. The growth in population continues throughout the County which stimulates local business, tourism and development activities but also increases the services to be provided by the County.

In preparation of the fiscal year 2018 budget, the County decreased the ad valorem tax rate to $0.5899 per $100, from the fiscal year 2017 tax rate of $0.5999 per $100. The overall property valuation (excluding tax cap properties) increased to $2,294,559,010, reflecting an increase of $80,178,039 or 3.62% from the prior year. The increase was primarily due to a general increase in market values as well as new property added. Fiscal year 2018 budgeted expenditures increased $2,617,113 or 12.65%, of which $2,165,800 or 10.47% are one-time capital and road and bridge expenditures, over fiscal year 2017 budgeted expenditures.

Commissioners court elected to utilize a portion of the County's fund balance to fund fiscal year 2018 budgeted expenditures in order to address departmental needs. The 2018 budget included the addition of two positions and new vehicles in the Sheriff's department, a new county annex building, and the capital and road maintenance needs the Road & Bridge precincts.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor, Wood County, P.O. Box 389, Quitman, Texas 75783.

THIS PAGE LEFT BLANK INTENTIONALLY

BASIC
FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

WOOD COUNTY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2017

	Governmental Activities
ASSETS	
Current assets:	
Cash and investments	$ 26,346,505
Taxes receivable	1,336,755
Accounts receivable	1,193,838
Due from other governments	62,412
Prepaid items	368,218
Total current assets	29,307,728
Noncurrent assets:	
Capital assets:	
Land	2,281,769
Infrastructure	60,554
Buildings and improvements	9,337,157
Equipment	11,260,843
Less: accumulated depreciation	(16,124,829)
Total capital assets	6,815,494
Total noncurrent assets	6,815,494
Total assets	36,123,222
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	2,949,814
Total deferred outflows of resources	2,949,814
LIABILITIES	
Current liabilities:	
Accounts payable	716,885
Accrued liabilities	368,281
Health claims payable	368,000
Due to other governments	9,236
Due to unclaimed property owners	9,844
Total current liabilities	1,472,246
Noncurrent liabilities:	
Due within one year	100,891
Due in more than one year	4,018,062
Total noncurrent liabilities	4,118,953
Total liabilities	5,591,199
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	545,991
Total deferred inflows of resources	545,991
NET POSITION	
Net investment in capital assets	6,815,494
Restricted	5,639,547
Unrestricted	20,480,805
Total net position	$ 32,935,846

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

THIS PAGE LEFT BLANK INTENTIONALLY

WOOD COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

		Program Revenues		Net (Expense) Revenue and Change in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
General government	$ 4,915,795	$ 1,837,926	$ 39,041	$(3,038,828)
Community services	763,523	117,985	2,800	(642,738)
Judicial	2,612,571	617,578	46,617	(1,948,376)
Public safety	6,717,883	96,189	132,720	(6,488,974)
Public transportation	5,337,691	903,458	127,419	(4,306,814)
Total governmental activities	$ 20,347,463	$ 3,573,136	$ 348,597	(16,425,730)
General revenues:				
Taxes				17,675,295
Investment earnings				341,028
Miscellaneous				53,343
Gain on sale of capital assets				105,778
Total general revenues				18,175,444
Change in net position				1,749,714
Net position, beginning				31,186,132
Net position, ending				$ 32,935,846

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

WOOD COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General	Road and Bridge	Other Governmental Funds	Total
ASSETS				
Cash and investments	$ 19,848,686	$ 3,769,862	$ 2,727,957	$ 26,346,505
Taxes receivable	1,073,328	247,423	16,004	1,336,755
Accounts receivable	1,193,838	-	-	1,193,838
Due from other governments	62,412	-	-	62,412
Prepaid items	343,165	20,005	5,048	368,218
Total assets	$ 22,521,429	$ 4,037,290	$ 2,749,009	$ 29,307,728
LIABILITIES				
Liabilities:				
Accounts payable	$ 473,711	$ 211,111	$ 32,063	$ 716,885
Accrued liabilities	366,684	1,597	-	368,281
Health claims payable	368,000	-	-	368,000
Due to other governments	9,236	-	-	9,236
Due to unclaimed property owners	9,844	-	-	9,844
Total liabilities	1,227,475	212,708	32,063	1,472,246
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue: property taxes	725,379	230,927	16,004	972,310
Unavailable revenue: court fines	1,084,234	-	-	1,084,234
Total deferred inflows of resources	1,809,613	230,927	16,004	2,056,544
FUND BALANCES				
Nonspendable:				
Prepaid items	343,165	20,005	5,048	368,218
Restricted:				
Public transportation	-	3,573,650	-	3,573,650
Debt service	-	-	59,551	59,551
Public safety	-	-	6,516	6,516
Judicial	-	-	140,098	140,098
Records preservation	-	-	1,285,522	1,285,522
Technology improvements	-	-	165,587	165,587
Economic development	-	-	136,639	136,639
Committed:				
Property acquisitions	-	-	823,655	823,655
Improvements	-	-	78,326	78,326
Assigned:				
Health claims	1,464,475	-	-	1,464,475
Budgetary deficit in the subsequent year's budget	2,105,523	-	-	2,105,523
Unassigned	15,571,178	-	-	15,571,178
Total fund balances	19,484,341	3,593,655	2,700,942	25,778,938
Total liabilities, deferred inflows of resources and fund balances	$ 22,521,429	$ 4,037,290	$ 2,749,009	$ 29,307,728

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

WOOD COUNTY, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Total fund balances - total governmental funds	$ 25,778,938
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,815,494
A portion of property taxes and court fines receivable are not available to pay for current period expenditures and, therefore, are reported as deferred inflows in the funds.	2,056,544
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Long-term liabilities:	
Compensated absences	(504,453)
Net OPEB obligation	(1,194,749)
Net pension liability	(2,419,751)
Included in the items related to long-term liabilities is the recognition of a deferred outflow of resources and a deferred inflow of resources related to the TCDRS net pension liability.	
Deferred outflows of resources:	
Pension related deferred outflows of resources	2,949,814
Deferred inflows of resources:	
Pension related deferred inflows of resources	(545,991)
Net position of governmental activities	$ 32,935,846

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

WOOD COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	General	Road and Bridge	Other Governmental Funds	Total
REVENUES				
Taxes	$ 13,465,256	$ 4,102,748	$ 129,791	$ 17,697,795
Charges for services	1,343,697	537,426	355,990	2,237,113
Intergovernmental	632,459	-	19,634	652,093
Fines and forfeitures	-	470,289	2,232	472,521
Investment income	313,252	-	28,348	341,600
Motor vehicle registration	-	360,000	-	360,000
Other	125,049	127,419	310	252,778
Total revenues	15,879,713	5,597,882	536,305	22,013,900
EXPENDITURES				
Current:				
General government	4,518,840	-	130,208	4,649,048
Public safety	6,036,271	-	49,102	6,085,373
Public transportation	-	4,644,723	-	4,644,723
Judicial	2,528,732	-	66,165	2,594,897
Community services	677,158	-	2,800	679,958
Capital outlay	459,597	1,048,663	30,715	1,538,975
Total expenditures	14,220,598	5,693,386	278,990	20,192,974
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,659,115	(95,504)	257,315	1,820,926
OTHER FINANCING SOURCES				
Sale of capital assets	82,874	43,904	-	126,778
Total other financing sources	82,874	43,904	-	126,778
NET CHANGE IN FUND BALANCES	1,741,989	(51,600)	257,315	1,947,704
FUND BALANCES, BEGINNING	17,742,352	3,645,255	2,443,627	23,831,234
FUND BALANCES, ENDING	$ 19,484,341	$ 3,593,655	$ 2,700,942	$ 25,778,938

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

WOOD COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

Net change in fund balances - total governmental funds	$ 1,947,704
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay reported in the current period.	1,538,975
Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as an expenditure in the governmental funds.	(1,196,646)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) decreased net position.	(21,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,140)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences liability	(19,982)
Net OPEB obligation	(180,511)
Net pension liability	(314,686)
Change in net position of governmental activities	$ 1,749,714

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

WOOD COUNTY, TEXAS

STATEMENT OF ASSETS AND LIABILITIES

AGENCY FUNDS

SEPTEMBER 30, 2017

ASSETS		
Cash and investments	$	3,291,413
Due from state		18,084
Total assets	$	3,309,497
LIABILITIES		
Due to other governments	$	2,122,049
Due to beneficiaries		1,187,448
Total liabilities	$	3,309,497

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to the accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in Governmental Accounting and Financial Reporting Standards. The most significant accounting and reporting policies of Wood County, Texas ("the County") are described in the following notes to the financial statements.

A. Reporting Entity

A financial reporting entity consists of the primary government and its component units. Component units are legally separate organizations for which the elected officials of the County are financially accountable, or the relationship to the County is such that an exclusion would cause the County's financial statements to be misleading or incomplete.

Depending upon the significance of the County's financial and operational relationships with various separate entities, the organizations are classified as blended or discretely presented component units, related organizations, joint ventures, or jointly governed organizations, and the financial disclosure is treated accordingly.

The County was incorporated under the provisions of the State of Texas in 1850. The County operates under a commission form of government under the laws and statutes of the constitution of the State of Texas. The County provides various services to advance the welfare, health, morals, comfort, safety, and convenience of the County and its inhabitants.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the County. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes, fines and fees, grants and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. The combined amounts for nonmajor governmental funds are reflected in a single column in the fund balance sheet and statement of revenues, expenditures, and changes in fund balances. Detailed statements for nonmajor funds are presented within combining fund statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, grants, fines and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

Governmental funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of the County's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination.

The County reports the following major governmental funds:

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

The ***Road and Bridge Fund*** is a Special Revenue Fund used to account for revenue derived from ad valorem taxes, vehicle registration fees and rebates from the State of Texas. Expenditures are for maintenance and construction of County roads and bridges.

Additionally, the County reports the following fund type:

Agency Funds are used to account for assets held by the County in an agency capacity for individuals, private organizations and other governments.

D. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The appropriated budget is prepared by function. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

E. Assets, Liabilities, Deferred Outflow/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Investments

The County pools cash resources of some funds and invests these funds jointly. Each fund owns a pro rata share of the cash and investments. The County is entitled to invest in obligations of the United States, the State of Texas, and certificates of deposit of state or national banks or savings and loan associations within the State.

Investment earnings are allocated to the respective funds based on an average daily balance.

Investments for the County are reported at fair value, except for the position in investment pools. The County's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

Advances between funds, as reported in the fund financial statements, are considered nonspendable in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Ad valorem property taxes attach as enforceable liens as of January 1. Taxes are levied prior to September 30, payable on October 1, and are delinquent on February 1. The majority of the County's property tax collections occur during December and early January each year.

3. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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 outlays for capital assets and improvements are capitalized as projects are constructed.

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

Assets	Years
Infrastructure	10 - 50
Buildings and improvements	15 - 40
Vehicles	3 - 10
Machinery and equipment	3 - 7

4. Federal and State Grants

Revenue from federal and state grants is recognized on the basis of actual expenditures incurred, limited to the amount of the total grant award.

5. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation, compensatory time or overtime leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the County and its employees are accrued at year-end in the government-wide financial statements as the employees have earned the rights to these benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the County and its employees are accounted for in the period in which such services are rendered or such events take place.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Pensions

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

8. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Commissioners Court. These amounts cannot be used for any other purpose unless the Commissioners Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners Court.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

9. Net Position

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

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has only the following items that qualify for reporting in this category:

- Pension contributions after the measurement date – These contributions are deferred and recognized in the following fiscal year.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a five year period.

- Changes in actuarial assumptions – This difference is recognized over the average remaining service life for all active, inactive, and retired members.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following items that qualify for reporting in this category:

- Unavailable revenue – The governmental funds report unavailable revenues from two sources: property taxes and court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Differences between expected and actual experience - This difference is deferred and amortized over a five year period.

11. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value that establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities. Wood County is applying fair value to certain investments. Fair value is described as an exit price.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.

- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement. The fair value measurement assumes a transaction takes place in a government's principal market and the general market participants would act in their economic best interest.

As of September 30, 2017, the County had the following cash and investments:

	9/30/2017	Fair Value Measurement (Level 1)	(Level 2)	(Level 3)	Percent of Total Portfolio	Weighted Average Maturity (Days)
Cash and cash equivalents:						
Demand deposits	$ 12,220,565	N/A	N/A	N/A	46%	1
Investments measured at net asset value per share:						
Investment pools:						
TexPool	543,258	N/A	N/A	N/A	2%	37
Investments by fair value level:						
Certificates of deposit:	13,582,682	$ -	$ 13,582,682	$ -	52%	394
Total investments	14,125,940	$ -	$ 13,582,682	$ -		380
Total cash and investments	$ 26,346,505					204

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) yield, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) bid solicitation preferences for certificates of deposit, (10) investment strategy, (11) appointment, role, and training of the County investment officer, and (12) standard of care. Statutes authorize the County to invest in (1) obligations of the U. S. Treasury, certain U. S. agencies, the State of Texas, and certain municipal securities; (2) certificates of deposit and share certificates, (3) certain securities lending programs, (4) repurchase agreements, (5) bankers' acceptances, (6) mutual funds, (7) investment pools, (8) guaranteed investment contracts, (9) common trust funds, and (10) commercial paper as allowed by the State. Local policy narrows the statewide authorization into County allowed investments. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

The County's investment pool, TexPool, is managed conservatively to provide a safe, efficient, and liquid investment alternative to Texas governments. The pool seeks to maintain a $1.00 value per share as required by the Texas Public Funds Investment Act. TexPool investments consist exclusively of U. S. Government securities, repurchase agreements collateralized by U. S. Government securities, and AAA-rated no-load money market mutual funds. TexPool is rated AAAm by Standard & Poor's, the highest rating a local government investment pool can achieve. The weighted average maturities of the pool cannot exceed 60 days, with the maximum maturity of any investment limited to 13 months. Interest is accrued daily and paid monthly. TexPool is governed by the Texas Public Funds Investment Act, and is in full compliance with the Act.

The certificates of deposit were invested as County authorized investments issued by an institution with its main office or a branch in this state and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; secured by obligations as allowed by law; or secured in any other manner and amount provided by law for deposits of the County.

In fiscal year 2013, Commissioners Court approved updates to the investment policy to provide for CD investments to include CDARS (The Certificate of Deposit Account Registry Service) deposits whereby the depository institution arranges for the deposit of funds in certificates of deposit in one or more federally insured depository institution, wherever located, for the County's account rather than having the majority of CD investments secured by collateral provided by the local institution.

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to declines in fair market values by limiting the average dollar weighted maturity of its portfolios to a maximum of one year. This term is subject to changes based on the annual review of the investment policy or other Commissioners Court action.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations, direct obligations of Texas, counties, municipalities, independent school districts or other instrumentalities allowed under LGC 116.054 but not listed here that have a fair value of not less than the principal amount of deposits. As of September 30, 2017, the County's deposit balance was entirely collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

Credit Risk. It is the County's policy and strategy to emphasize safety of principal and liquidity over yield by proper diversification, proper monitoring, and clear transparency. The County's policy has limited authorized investments to not all that are authorized by the statutes.

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 2,171,266	$ 110,503	$ -	$ 2,281,769
Total assets not being depreciated	2,171,266	110,503	-	2,281,769
Capital assets, being depreciated:				
Infrastructure	60,554	-	-	60,554
Buildings and improvements	9,337,157	-	-	9,337,157
Equipment	10,216,837	1,428,472	384,466	11,260,843
Total capital assets being depreciated	19,614,548	1,428,472	384,466	20,658,554
Less accumulated depreciation:				
Infrastructure	21,328	2,016	-	23,344
Buildings and improvements	7,642,682	262,332	-	7,905,014
Equipment	7,627,639	932,298	363,466	8,196,471
Total accumulated depreciation	15,291,649	1,196,646	363,466	16,124,829
Total capital assets being depreciated, net	4,322,899	231,826	21,000	4,533,725
Governmental activities capital assets, net	$ 6,494,165	$ 342,329	$ 21,000	$ 6,815,494

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

Governmental activities:	
General government	$ 127,466
Judicial	8,843
Community services	13,536
Public safety	457,636
Public transportation	589,165
Total depreciation expense - governmental activities	$ 1,196,646

C. Long-term Liabilities

The following is a summary of the long-term liability activity of the County for the year ended September 30, 2017:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
Compensated absences	$ 484,471	$ 326,663	$ 306,681	$ 504,453	$ 100,891
Net OPEB obligation	1,014,238	275,394	94,883	1,194,749	-
Net pension liability	2,639,557	836,632	1,056,438	2,419,751	-
Governmental activities long-term liabilities	$ 4,138,266	$ 1,438,689	$ 1,458,002	$ 4,118,953	$ 100,891

III. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description. The County participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tcdrs.org*.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided. TCDRS provides retirement, disability and death benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

Employees covered by benefit terms

At the December 31, 2016, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	152
Inactive employees entitled to but not yet receiving benefits	93
Active employees	208
	453

Contributions. The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participate over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 13% in both calendar years 2016 and 2017. The County's contributions to TCDRS for the year ended September 30, 2017, were $1,087,312, and were equal to the required contributions.

Net Pension Liability. The County's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	8.0%, net of pension plan investment expense, including inflation

Mortality rates for active members, retirees, and beneficiaries were based on the following:

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

The actuarial assumptions that determined the total pension liability as of December 31, 2016, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except for mortality assumptions. Mortality assumptions were updated for the 2015 valuation to reflect projected improvements.

The long-term expected rate of return on pension plan investments is 8.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2017 information for a 7 to 10 year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

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

(1) Target asset allocation adopted at the April 2017 TCDRS Board meeting.

(2) Geometric real rates of return in addition to assumed inflation of 2.0% per Cliffwater's 2017 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 34,686,795	$ 32,047,238	$ 2,639,557
Changes for the year:			
Service cost	1,213,200	-	1,213,200
Interest on total pension liability [(1)]	2,781,400	-	2,781,400
Effect of plan changes [(2)]	-	-	-
Effect of economic/demographic gains or losses	(221,687)	-	(221,687)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(189,366)	(189,366)	-
Benefit payments	(1,734,714)	(1,734,714)	-
Administrative expenses	-	(25,766)	25,766
Member contributions	-	568,852	(568,852)
Net investment income	-	2,366,000	(2,366,000)
Employer contributions	-	1,056,438	(1,056,438)
Other [(3)]	-	27,195	(27,195)
Balance at 12/31/2016	$ 36,535,628	$ 34,115,877	$ 2,419,751

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

[(2)] *No plan changes valued.*

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

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using 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-higher (9.1%) than the current rate:

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	$ 41,069,709	$ 36,535,628	$ 32,750,548
Fiduciary net position	34,115,877	34,115,877	34,115,877
Net pension liability/(asset)	$ 6,953,832	$ 2,419,751	$(1,365,329)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at *www.tcdrs.org*.

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 1,401,997.

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 economic experience	$ -	$ 545,991
Changes in actuarial assumptions	231,910	-
Difference between projected and actual investment earnings	1,932,854	-
Contributions subsequent to the measurement date	785,050	-
Total	$ 2,949,814	$ 545,991

$785,050 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 pensions will be recognized in pension expense as follows:

Year Ended September 30	
2018	$ 561,697
2019	561,697
2020	496,114
2021	(735)

B. Employee Health Protection Plan

The County adopted a self-funded Health Protection Plan effective October 1, 1988. The purpose of the plan is to pay medical claims of County employees and their covered dependents. The plan is funded through contributions by the County for employee coverage and through payroll deductions for dependent coverage.

The County does not financially provide for any post-employment medical benefits and life insurance except to those eligible retirees and their dependents for the remaining life of retiree with medical (limited) and limited life insurance and those mandated by the Consolidated Omnibus Budget Reconciliation Act (COBRA). These exceptions are funded at the retiree and/or dependent's expense that have elected the coverage under the Act with no direct costs of the premium to be incurred by the County.

The County enters into a contract with a reinsurance company to provide stop-loss coverage where the County's liability under the plan is limited to a projected cost factor determined annually by the company. The stop-loss attachment point is based on a specified monthly amount per covered employee or dependent.

Claims in excess of the specific stop-loss amount of $85,000 per covered person and the annual aggregate claim liability of $2,289,750 are fully insured. The plan paid net claims of approximately $1,810,152 during the plan year ended September 30, 2017. Total estimated unpaid claims for charges incurred prior to fiscal year-end were $368,000. The plan is administered by Health First, Third Party Administrators, Tyler, Texas.

Premiums are paid into the General Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These interfund premiums are used to reduce the amount of claims expenditures reported in the General Fund.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate. Changes in the balances of claims liabilities during the past three years are as follows:

	Year Ended 09/30/17	Year Ended 09/30/16	Year Ended 09/30/15
Unpaid claims, beginning of fiscal year	$ 408,220	$ 295,456	$ 278,748
Incurred claims (including IBNRs)	1,769,932	1,909,191	1,930,618
Claim payments	(1,810,152)	(1,796,427)	(1,913,910)
Unpaid claims, end of fiscal year	$ 368,000	$ 408,220	$ 295,456

Dental Policy

Effective October 1, 2009, the County began offering dental coverage for employees and their covered dependents. The plan paid claims of approximately $109,603 for the plan year ended September 30, 2017.

C. <u>Postemployment Benefits Other than Pension Benefits (OPEB)</u>

Health insurance, dental, and life insurance benefits provided under the County’s benefits plan, are provided to eligible retirees or former employees who are fully vested, have completed at least 8 full years of employment with the County and are leaving all funds on deposit with the TCDRS with the intention of retiring at a later date in accordance with the policies and procedures approved by Commissioners’ Court.

The cost of the elected benefits is paid by the retirees or eligible former employees in accordance with the premiums annually set by Commissioners' Court. Listed below are the current monthly premiums for retirees or eligible former employees:

Health Insurance	
Retiree/fully vested former employee	$ 380
Retiree/fully vested former employee and spouse (coupled with retiree/fully vested former employee)	750
Retiree/fully vested former employee and children	700
Retiree/fully vested former employee and family	845
Medicare retiree	250
Medicare spouse (coupled with retiree)	560
Dental	
Retiree/fully vested former employee	32
Retiree/fully vested former employee and spouse (coupled with retiree/fully vested former employee)	48
Retiree/fully vested former employee and children	49
Retiree/fully vested former employee and family	58
Life	
Retiree/fully vested former employee (depending on coverage)	$1 - $10
Vision	
Retiree/fully vested former employee	5.50
Retiree/fully vested former employee and spouse (coupled with retiree/fully vested former employee)	10.70
Retiree/fully vested former employee and children	11.20
Retiree/fully vested former employee and family	17.30

The retiree's or eligible former employee's dependent coverage is an option only as long as the retiree or eligible former employee maintains personal coverage. Dependent coverage will cease when the retiree's or eligible former employee's coverage ceases. After the initial election, which is limited to coverage in effect on the last day of employment, no additional elections may be made.

As of September 30, 2017, the County had 66 participating retirees and/or eligible former employees. The total premiums collected by the County for the retirees and/or eligible former employees were $160,189.

Annual OPEB Cost and Net OPEB Obligation. The County's annual other postemployment benefit (OPEB) cost is calculated based on an annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's OPEB obligation.

Fiscal Year		2017
Annual Required Contribution (ARC)	$	292,316
Interest on Net OPEB Obligation		40,570
Adjustment to the ARC	(	57,492)
Annual OPEB Cost		275,394
Contributions Made	(	94,883)
Increase in Net OPEB Obligation		180,511
Net OPEB Obligation, beginning of year		1,014,238
Net OPEB Obligation, ending of year	$	1,194,749

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

Fiscal Year Ending	Annual OPEB Cost	Employer Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/2015	$ 191,987	$ 88,144	45.9%	$ 835,309
09/30/2016	278,361	99,432	35.7%	1,014,238
09/30/2017	275,394	94,883	34.5%	1,194,749

Actuarial valuation of an ongoing plan involves estimates of the amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year 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.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial Cost Method	Projected Unit Credit Cost Method
Amortization Method	Level Dollar Amount
Amortization Period	Open 30 year period
Investment rate of return	4.00% net of expenses
Payroll growth rate	Not applicable
Mortality table	RP-2014 Total with Projection MP-2015

Funded Status. The funded status of the County's retiree health care plan under GASB Statement No. 45 as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
10/1/2015	$ -	$ 2,511,598	0%	$ 2,511,598	$ 7,731,137	32%

D. <u>Risk Management</u>

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The County provides for the management of these risks through a combination of self-insurance and traditional insurance.

E. <u>Commitments and Contingencies</u>

The County is periodically the defendant in lawsuits arising in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements, and accordingly, no provision for losses has been recorded.

The County participates in various state and federal 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 at September 30, 2017, 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.

F. <u>Tax Abatements</u>

The County entered into an agreement with a developer in January 2011, under Tax Code 312. Commitments by the developer include construction improvements. The current year reduction of tax revenue under this agreement was $96,298.

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED
SUPPLEMENTARY INFORMATION

THIS PAGE LEFT BLANK INTENTIONALLY

WOOD COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 13,073,338	$ 13,073,338	$ 13,465,256	$ 391,918
Charges for services	1,287,900	1,300,740	1,343,697	42,957
Intergovernmental	360,178	549,771	632,459	82,688
Investment income	176,000	176,000	313,252	137,252
Other	73,800	76,561	125,049	48,488
Total revenues	14,971,216	15,176,410	15,879,713	703,303
EXPENDITURES				
Current:				
General government	4,662,900	4,818,108	4,518,840	299,268
Public safety	6,587,796	6,682,443	6,036,271	646,172
Judicial	2,556,841	2,601,947	2,528,732	73,215
Community services	1,122,650	1,071,673	677,158	394,515
Capital outlay	434,000	487,404	459,597	27,807
Total expenditures	15,364,187	15,661,575	14,220,598	1,440,977
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(392,971)	(485,165)	1,659,115	2,144,280
OTHER FINANCING SOURCES				
Sale of capital assets	-	82,874	82,874	-
Total other financing sources	-	82,874	82,874	-
NET CHANGE IN FUND BALANCE	$(392,971)	$(402,291)	1,741,989	$ 2,144,280
FUND BALANCE, BEGINNING			17,742,352	
FUND BALANCE, ENDING			$ 19,484,341	

The accompanying notes are an integral part of this schedule.

WOOD COUNTY, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ROAD AND BRIDGE

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 4,070,735	$ 4,070,735	$ 4,102,748	$ 32,013
Charges for services	510,000	523,582	537,426	13,844
Fines and forfeitures	348,000	348,000	470,289	122,289
Motor vehicle registration	350,000	350,000	360,000	10,000
Other	-	127,419	127,419	-
Total revenues	5,278,735	5,419,736	5,597,882	178,146
EXPENDITURES				
Current:				
Public transportation	4,942,369	5,146,819	4,644,723	502,096
Capital outlay	377,900	1,460,806	1,048,663	412,143
Total expenditures	5,320,269	6,607,625	5,693,386	914,239
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(41,534)	(1,187,889)	(95,504)	1,092,385
OTHER FINANCING SOURCES				
Sale of capital assets	-	43,904	43,904	-
Total other financing sources	-	43,904	43,904	-
NET CHANGE IN FUND BALANCE	$(41,534)	$(1,143,985)	(51,600)	$ 1,092,385
FUND BALANCE, BEGINNING			3,645,255	
FUND BALANCE, ENDING			$ 3,593,655	

The accompanying notes are an integral part of this schedule.

Budgetary Information

The County uses the following procedures in establishing the budgetary data reflected in the financial schedules:

Prior to September 1, the Commissioners Court proposes an operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year. Public hearings are conducted to obtain taxpayer comment.

Prior to adoption of the budget, the Commissioners' Court receives a certified tax roll from the Chief Appraiser and the Tax Assessor/Collector prepares the calculation of the effective tax rate. The County Auditor prepares a schedule of estimated unencumbered fund balances. This information is used to determine the ad valorem tax rate which will produce the major portion of the revenue available for the budget year.

Encumbrance Accounting

The County does not use a formal encumbrance accounting system. At year-end, the Commissioners Court may take action to commit a portion of the fund balances for capital outlays and other specific expenditures that had been planned during the budget year, but were not completed at year-end. In addition, the County has a specific capital outlay carryover policy for the Road and Bridge Funds which allows budgeted but unspent funds for machines and equipment at year-end to be carried over to the following budget year.

Budgetary Basis

Budgets are adopted on a basis consistent with generally accepted accounting principles.

WOOD COUNTY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Plan Year Ended December 31	2014	2015	2016
Total Pension Liability			
Service Cost	$ 1,074,024	$ 1,091,078	$ 1,213,200
Interest total pension liability	2,516,316	2,663,459	2,781,400
Effect of plan changes	-	(223,831)	-
Effect of assumption changes or inputs	-	386,517	-
Effect of economic/demographic (gains) or losses	(76,235)	(563,579)	(221,687)
Benefit payments/refunds of contributions	(1,740,042)	(1,833,065)	(1,924,080)
Net change in total pension liability	1,774,063	1,520,579	1,848,833
Total pension liability - beginning	31,392,153	33,166,216	34,686,795
Total pension liability - ending (a)	$ 33,166,216	$ 34,686,795	$ 36,535,628
Plan Fiduciary Net Position			
Employer contributions	$ 1,126,360	$ 1,095,693	$ 1,056,438
Member contributions	547,817	589,990	568,852
Investment income net of investment expenses	2,066,392	(32,988)	2,366,000
Benefit payments refunds of contributions	(1,740,042)	(1,833,065)	(1,924,080)
Administrative expenses	(24,057)	(23,122)	(25,766)
Other	35,630	8,489	27,195
Net change in plan fiduciary net position	2,012,100	(195,003)	2,068,639
Plan fiduciary net position - beginning	30,230,141	32,242,241	32,047,238
Plan fiduciary net position - ending (b)	32,242,241	32,047,238	34,115,877
Net pension liability - ending (a) - (b)	$ 923,975	$ 2,639,557	$ 2,419,751
Fiduciary net position as a percentage of total pension liability	97%	93%	93%
Pensionable covered payroll	$ 7,825,953	$ 8,428,427	$ 8,126,464
Net pension liability as a percentage of covered payroll	12%	31%	30%

Note: Information prior to 2014 is not available.

WOOD COUNTY, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2014	$ 1,011,227	$ 1,120,227	$(109,000)	$ 7,608,237	15%
2015	1,050,128	1,050,128	-	8,077,908	13%
2016	1,049,737	1,049,737	-	8,074,900	13%
2017	1,087,312	1,087,312	-	8,363,939	13%

(1) Payroll is calculated based on contributions as reported to TCDRS.

(2) Information prior to 2014 is not available.

WOOD COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	5.1 years (based on contribution rate calculated in 12/31/2016 valuation)
Asset Valuation Method	5-year 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 of 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.
Changes in Plan Provisions Reflected in the Schedule	No changes in plan provisions are reflected in the Schedule of Employer Contributions.

WOOD COUNTY, TEXAS

SCHEDULE OF FUNDING PROGRESS FOR POST-RETIREMENT HEALTH CARE BENEFIT PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funded Ratio (a/b)	Unfunded AAL (UAAL) (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
10/1/2011	$ -	$ 1,809,103	0%	$ 1,809,103	$ 6,656,000	27%
10/1/2013	-	1,746,139	0%	1,746,139	7,150,221	24%
10/1/2015	-	2,511,598	0%	2,511,598	7,731,137	32%

(Note) Fiscal Year 2011 was the first year of implementation of GASB 45. Accordingly, only these years of funding progress are available. Additional years of funding progress will be presented in future years, as they become available.

THIS PAGE LEFT BLANK INTENTIONALLY

COMBINING STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for the proceeds of specified revenue sources or to finance specified activities as required by law or administrative regulation.

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

WOOD COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	Special Revenue				
	County Clerk Records Management and Preservation	County Clerk Records Archive	General Records Management and Preservation	Courthouse Security	Right of Way
ASSETS					
Cash and investments	$ 592,342	$ 586,173	$ 19,715	$ 56,100	$ 823,655
Taxes receivable	-	-	-	-	6,980
Prepaid items	20	-	22	-	-
Total assets	$ 592,362	$ 586,173	$ 19,737	$ 56,100	$ 830,635
LIABILITIES					
Liabilities:					
Accounts payable	$ 7,762	$ -	$ 55	$ -	$ -
Total liabilities	7,762	-	55	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue: property taxes	-	-	-	-	6,980
Total deferred inflows of resources	-	-	-	-	6,980
FUND BALANCES					
Nonspendable:					
Prepaid items	20	-	22	-	-
Restricted:					
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Judicial	-	-	-	-	-
Record preservation	584,580	586,173	19,660	-	-
Technology improvements	-	-	-	56,100	-
Economic development	-	-	-	-	-
Committed:					
Property acquisitions	-	-	-	-	823,655
Improvements	-	-	-	-	-
Total fund balances	584,600	586,173	19,682	56,100	823,655
Total liabilities, deferred inflows of resources and fund balances	$ 592,362	$ 586,173	$ 19,737	$ 56,100	$ 830,635

Special Revenue								
Law Library	Sheriff Forfeiture	Hotel/ Motel Tax	Tobacco Settlement	Crime Victim Service	Justice Court Technology	District Clerk Records Management	Criminal District Attorney Special	JP Building Security
$ 28,013	$ 4,349	$ 152,449	$ 78,326	$ 4,582	$ 66,887	$ 27,263	$ 21,665	$ 26,995
-	-	-	-	-	-	-	-	-
-	-	5,000	-	-	-	6	-	-
$ 28,013	$ 4,349	$ 157,449	$ 78,326	$ 4,582	$ 66,887	$ 27,269	$ 21,665	$ 26,995
$ 172	$ -	$ 15,810	$ -	$ -	$ 204	$ -	$ -	$ -
172	-	15,810	-	-	204	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	5,000	-	-	-	6	-	-
-	-	-	-	-	-	-	-	-
-	4,349	-	-	-	-	-	-	-
27,841	-	-	-	4,582	-		21,665	-
-	-	-	-	-	-	27,263	-	-
-	-	-	-	-	66,683	-	-	26,995
-	-	136,639	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	78,326	-	-	-	-	-
27,841	4,349	141,639	78,326	4,582	66,683	27,269	21,665	26,995
$ 28,013	$ 4,349	$ 157,449	$ 78,326	$ 4,582	$ 66,887	$ 27,269	$ 21,665	$ 26,995

WOOD COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	Special Revenue				
	Elections Special	Guardianship	County Clerk Technology	District Clerk Technology	District Clerk Records Archive
ASSETS					
Cash and investments	$ 48,400	$ 45,670	$ 5,190	$ 10,619	$ 40,009
Taxes receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Total assets	$ 48,400	$ 45,670	$ 5,190	$ 10,619	$ 40,009
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 8,060	$ -	$ -	$ -	$ -
Total liabilities	8,060	-	-	-	-
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue: property taxes	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	-
Fund balances:					
Nonspendable					
Prepaid items	-	-	-	-	-
Restricted					
Debt service	-	-	-	-	-
Public safety	-	-	-	-	-
Judicial	40,340	45,670	-	-	-
Record preservation	-	-	-	-	40,009
Technology improvements	-	-	5,190	10,619	-
Economic development	-	-	-	-	-
Committed					
Property acquisitions	-	-	-	-	-
Improvements	-	-	-	-	-
Total fund balances	40,340	45,670	5,190	10,619	40,009
Total liabilities, deferred inflows of resources and fund balances	$ 48,400	$ 45,670	$ 5,190	$ 10,619	$ 40,009

Special Revenue				Debt Service	
District Clerk Records Preservation	Texas Community Development Program	Constable Forfeiture	Total Special Revenue	Interest and Sinking	Total Nonmajor Governmental Funds
$ 27,837	$ -	$ 2,167	$ 2,668,406	$ 59,551	$ 2,727,957
-	-	-	6,980	9,024	16,004
-	-	-	5,048	-	5,048
$ 27,837	$ -	$ 2,167	$ 2,680,434	$ 68,575	$ 2,749,009
$ -	$ -	$ -	$ 32,063	$ -	$ 32,063
-	-	-	32,063	-	32,063
-	-	-	6,980	9,024	16,004
-	-	-	6,980	9,024	16,004
-	-	-	5,048	-	5,048
-	-	-	-	59,551	59,551
-	-	2,167	6,516	-	6,516
-	-	-	140,098	-	140,098
27,837	-	-	1,285,522	-	1,285,522
-	-	-	165,587	-	165,587
-	-	-	136,639	-	136,639
					-
-	-	-	823,655	-	823,655
-	-	-	78,326	-	78,326
27,837	-	2,167	2,641,391	59,551	2,700,942
$ 27,837	$ -	$ 2,167	$ 2,680,434	$ 68,575	$ 2,749,009

WOOD COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue				
	County Clerk Records Management and Preservation	County Clerk Records Archive	General Records Management and Preservation	Courthouse Security	Right of Way
REVENUES					
Taxes	$ -	$ -	$ -	$ -	$ 400
Charges for services	123,187	119,730	13,314	29,451	-
Intergovernmental	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	6,367	6,175	218	554	9,530
Other	-	-	-	-	-
Total revenues	129,554	125,905	13,532	30,005	9,930
EXPENDITURES					
Current:					
General government	43,916	4,600	-	-	-
Public safety	-	-	-	12,900	-
Judicial	-	-	20,917	-	-
Community services	-	-	-	-	-
Capital outlay	-	14,725	-	-	-
Total expenditures	43,916	19,325	20,917	12,900	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	85,638	106,580	(7,385)	17,105	9,930
FUND BALANCES, BEGINNING	498,962	479,593	27,067	38,995	813,725
FUND BALANCES, ENDING	$ 584,600	$ 586,173	$ 19,682	$ 56,100	$ 823,655

Special Revenue

Law Library	Sheriff Forfeiture	Hotel/ Motel Tax	Tobacco Settlement	Crime Victim Service	Justice Court Technology	District Clerk Records Management	Criminal District Attorney Special	JP Building Security
$ -	$ -	$ 128,888	$ -	$ -	$ -	$ -	$ -	$ -
17,984	-	-	-	-	15,565	4,054	12,180	3,876
-	-	-	10,085	-	-	-	-	-
-	2,022	-	-	-	-	-	-	-
287	-	1,285	-	51	717	347	222	291
-	-	-	-	310	-	-	-	-
18,271	2,022	130,173	10,085	361	16,282	4,401	12,402	4,167
-	-	77,551	-	-	-	4,141	-	-
-	35,607	-	-	-	-	-	-	595
14,164	-	-	-	-	7,648	-	23,436	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	15,990	-	-
14,164	35,607	77,551	-	-	7,648	20,131	23,436	595
4,107	(33,585)	52,622	10,085	361	8,634	(15,730)	(11,034)	3,572
23,734	37,934	89,017	68,241	4,221	58,049	42,999	32,699	23,423
$ 27,841	$ 4,349	$ 141,639	$ 78,326	$ 4,582	$ 66,683	$ 27,269	$ 21,665	$ 26,995

WOOD COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue				
	Elections Special	Guardianship	County Clerk Technology	District Clerk Technology	District Clerk Records Archive
REVENUES					
Taxes	$ -	$ -	$ -	$ -	$ -
Charges for services	-	4,720	771	3,220	6,671
Intergovernmental	6,749	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Investment income	414	500	55	104	423
Other	-	-	-	-	-
Total revenues	7,163	5,220	826	3,324	7,094
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Judicial	-	-	-	-	-
Community services	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,163	5,220	826	3,324	7,094
FUND BALANCES, BEGINNING	33,177	40,450	4,364	7,295	32,915
FUND BALANCES, ENDING	$ 40,340	$ 45,670	$ 5,190	$ 10,619	$ 40,009

Special Revenue				Debt Service	
District Clerk Records Preservation	Texas Community Development Program	Constable Forfeiture	Total Special Revenue	Interest and Sinking	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ 129,288	$ 503	$ 129,791
1,267	-	-	355,990	-	355,990
-	2,800	-	19,634	-	19,634
-	-	210	2,232	-	2,232
313	-	23	27,876	472	28,348
-	-	-	310	-	310
1,580	2,800	233	535,330	975	536,305
-	-	-	130,208	-	130,208
-	-	-	49,102	-	49,102
-	-	-	66,165	-	66,165
-	2,800	-	2,800	-	2,800
-	-	-	30,715	-	30,715
-	2,800	-	278,990	-	278,990
1,580	-	233	256,340	975	257,315
26,257	-	1,934	2,385,051	58,576	2,443,627
$ 27,837	$ -	$ 2,167	$ 2,641,391	$ 59,551	$ 2,700,942

THIS PAGE LEFT BLANK INTENTIONALLY

AGENCY FUNDS

WOOD COUNTY, TEXAS

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS

SEPTEMBER 30, 2017

	Wood County Historical Commission	County Clerk	District Clerk	Justices of the Peace	Criminal District Attorney	Tax Collector
ASSETS						
Cash and investments	$ 51,693	$ 158,284	$ 730,251	$ -	$ 21,652	$ 1,012,419
Due from state	-	-	-	5,761	-	-
Total assets	$ 51,693	$ 158,284	$ 730,251	$ 5,761	$ 21,652	$ 1,012,419
LIABILITIES						
Due to other governments	$ 51,693	$ -	$ 28,767	$ 5,761	$ -	$ 809,762
Due to beneficiaries	-	158,284	701,484	-	21,652	202,657
Total liabilities	$ 51,693	$ 158,284	$ 730,251	$ 5,761	$ 21,652	$ 1,012,419

Sheriff	Child Welfare Board	Wood County CSCD	Wood County Juvenile Probation	Upper Sabine Valley Solid Waste Management District	County Treasurer Special	Totals
$ 116,032	$ 6,944	$ 441,306	$ -	$ 645,776	$ 107,056	$ 3,291,413
-	-	-	12,323	-	-	18,084
$ 116,032	$ 6,944	$ 441,306	$ 12,323	$ 645,776	$ 107,056	$ 3,309,497
$ 12,661	$ 6,944	$ 441,306	$ 12,323	$ 645,776	$ 107,056	$ 2,122,049
103,371	-	-	-	-	-	1,187,448
$ 116,032	$ 6,944	$ 441,306	$ 12,323	$ 645,776	$ 107,056	$ 3,309,497

THIS PAGE LEFT BLANK INTENTIONALLY

INTERNAL CONTROL AND COMPLIANCE REPORT

THIS PAGE LEFT BLANK INTENTIONALLY

PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

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

To the Honorable County Judge
and Commissioners Court
Wood County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wood County, Texas (the "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 June 25, 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.

WACO, TX
401 West Highway 6
Waco, Texas 76710
254.772.4901
www.pbhcpa.com

HOUSTON, TX
281.671.6259

RIO GRANDE VALLEY, TX
956.544.7778

TEMPLE, TX
254.791.3460

ALBUQUERQUE, NM
505.266.5904

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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 25, 2018