TITUS COUNTY, TEXAS

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2016

Titus County, Texas
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INDEPENDENT AUDITOR'S REPORT

The Honorable Judge and
County Commissioners
Titus County, Texas
Mount Pleasant, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Titus County, Texas as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2016, and the respective changes in financial position, and where applicable, statement of cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and net pension liability and contributions to TCDRS on pages 3 through 11 and pages 44 and 45 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 and individual non-major fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major 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 and individual non-major 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 December 30, 2016, 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.

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.
December 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Titus, Texas, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities and performance for the year ended September 30, 2016. The information presented here should be read in conjunction with the independent auditor's report and the County's financial statements.

FINANCIAL HIGHLIGHTS

The County's total combined net position was $46.97 million at September 30, 2016. This is a decrease of $2.4 million. Revenue is less because of less Loop contributions from the Texas Department of Transportation (TxDot) than the prior year.

The total cost of all the County's activities was up by 2% or $400 thousand, compared to the prior year. Most of the increase is associated with the increase in the net pension liability.

The general fund balance is $6.62 million at September 30, 2016 which is an increase of $429 thousand. Revenue increased $205 thousand. Prisoner housing revenue increased. Transfers out to other funds decreased $223 thousand. Expenditures increased only $54 thousand or less than 1%.

During the year, $227 thousand of fixed assets were added. Some minor building renovations were made. Some vehicles were purchased for the sheriff's department.

There is $3.1 million in debt service fund balances. Special revenue funds reflect fund balances of $1.39 million. There is approximately $5.12 million remaining in the capital projects funds for the purchase of right of way, future road construction, or for debt service reduction.

Approximately 84% of the taxes levied for 2015-16 were collected by September 30, 2016. This is about 12% less than normal as a major taxpayer has filed bankruptcy, filed a suit over taxable values, and has not paid their current taxes.

OVERVIEW OF THE FINANCIAL STATEMENTS

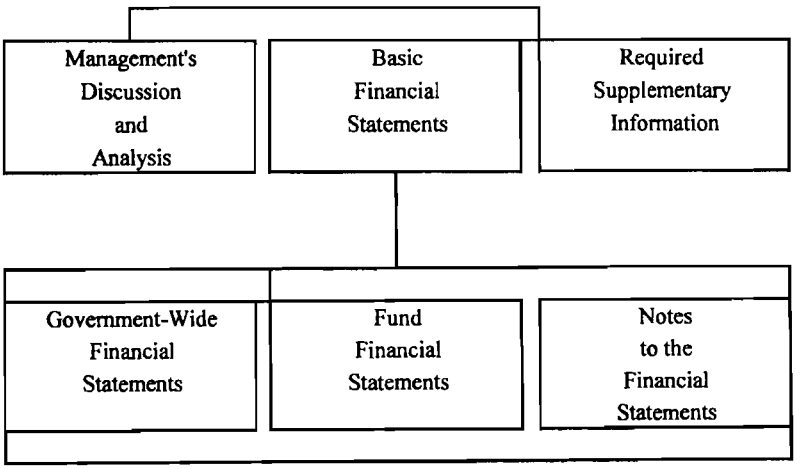
This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements,* and *required supplementary information.* The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide information about the County's activities as a whole and present a longer-term view of the County's property and debt obligations. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in *more detail* than the government-wide statements.

  - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses,* such as a commissary operation.
  - *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong. This fund contains District Court Clerk funds for pending cases.

Figure A-1. Required Components of the County's Annual Financial Report



Summary ⇦⇨ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the County's Government-wide Fund Financial Statements

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses: self insurance	Instances in which the City is the trustee or agent for someone else's resources
Required financial statements	*Statement of net position	*Balance sheet	*Statement of net position	*Statement of fiduciary net position
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position	*Statement of changes in fiduciary net position
			*Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's *net position* and how they have changed. Net position-the difference between the County's assets and liabilities-is one way to measure the County's financial health or *position.*

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the County, consideration should be given to additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the *Governmental activities.* Most of the County's basic services are included here, such as public safety, highways, streets and bridges, judicial and general administration. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds*-not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

- The Commissioner's Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has three kinds of funds:

- *Governmental funds*-Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.

- *Proprietary funds*-Services for which the County charges customers a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both long-term and short-term financial information. *Internal service funds* are used to report activities that provide supplies and services for the County's other programs and activities-such as the County's Self Insurance Fund.

- *Fiduciary funds*-The County is the trustee, of *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. These activities are excluded from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net position. The County's combined net position was approximately $47 million at September 30, 2016.

Table A-1
The County's Net Position
(in thousands of dollars)

	Activities		Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	24,184	23,437	204	187	24,388	23,624
Capital and non-current assets	166,960	175,013	-	-	166,960	175,013
TOTAL ASSETS	191,144	198,450	204	187	191,348	198,637
Deferred outflow-pension plan	3,051	1,171	-	-	3,051	1,171
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,051	1,171	-	-	3,051	1,171
Long-term liabilities	138,339	143,453	-	-	138,339	143,453
Other liabilities	3,892	2,581	2	20	3,894	2,601
TOTAL LIABILITIES	142,231	146,034	2	20	142,233	146,054
Unavailable revenue-taxes, fines, & fees	4,457	-	-	-	4,457	-
Deferred inflow-pension plan	741	4,430	-	-	741	4,430
TOTAL DEFERRED INFLOWS OF RESOURCES	5,198	4,430	-	-	5,198	4,430
Net position						
Invested in capital assets net of related debt	28,622	31,560	-	-	28,622	31,560
Restricted	9,641	10,445	-	-	9,641	10,445
Unrestricted	8,503	7,152	202	167	8,705	7,319
TOTAL NET POSITION	46,766	49,157	202	167	46,968	49,324

Net position invested in capital assets net of related debt reflects the book value of the County's capital assets in excess of the debt which financed those assets. The $8.7 million of unrestricted net position represents resources available to fund the programs of the County for the next fiscal year.

The $9.64 million is restricted as follows:

Restricted for debt service	3,130
Restricted for capital projects	5,125
Restricted for special revenue funds	1,386
	9,641

Net position of the County decreased from $49.3 million to $47 million, or $2.3 million. The County's governmental funds expenditures exceeded revenues by $386 thousand. $7.5 million of the amount receivable from the Texas Department of Transportation was collected this year. $277 thousand was expended on capital outlay this year. $4.88 million was expended on debt principal. Depreciation expense of $817 thousand was recorded.

Changes in net position.

The County's total revenues were $16.4 million. 62% of this came from property taxes, 14% came from sales taxes and other taxes, and 19% came from charges for services. Total revenues were $9.4 million less than the prior year because in the prior year there was an additional receivable recorded from TxDot that exceeded the final total cost of the Loop construction.

The total cost of all programs was $18.7 million. Approximately 29% of this was for public safety, 15% was for highways, streets and bridges, and 31% was for debt service costs.

Net position decreased by $2.4 million from the excess of expenses over revenues.

Table A-2
The County's Changes in Net Position
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for service	2,861	2,377	198	182	3,059	2,559
Operating Grants and Contributions	530	383	-	-	530	383
General Revenues						
Property taxes	10,072	9,857	-	-	10,072	9,857
Other taxes	2,369	2,426	-	-	2,369	2,426
Investment earnings	77	83	-	-	77	83
Contribution- Intergovernmental	-	10,225	-	-	-	10,225
Other	256	224	-	-	256	224
Total Revenues	16,165	25,575	198	182	16,363	25,757
Expenses						
General government	1,226	1,142	-	-	1,226	1,142
Judicial	1,084	987	-	-	1,084	987
Legal	479	432	-	-	479	432
Financial	1,057	990	-	-	1,057	990
Public facility	253	215	-	-	253	215
Public safety	5,367	5,057	81	77	5,448	5,134
Health and welfare	172	178	-	-	172	178
Highways, streets, and bridges	2,825	2,820	-	-	2,825	2,820
Cultural and recreational	24	26	-	-	24	26
County extension	88	88	-	-	88	88
Miscellaneous	57	100	-	-	57	100
Elections	-	-	202	219	202	219
Debt service	5,816	5,999	-	-	5,816	5,999
Total Expenses	18,448	18,034	283	296	18,731	18,330
Transfers in (out)	(120)	(135)	120	135	-	-
Increase (Decrease) in Net Position	(2,403)	7,406	35	21	(2,368)	7,427
Beginning Net Position	49,157	41,783	167	146	49,324	41,929
Prior Period Adjustment	12	(32)	-	-	12	(32)
Ending Net Position	46,766	49,157	202	167	46,968	49,324

The prior period adjustment was made the prior year to record the beginning net pension liability and the related deferred outflow.

Table A-3 presents the cost of each of the County's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was $18.4 million.
- However, the amount that taxpayers paid for these activities through property taxes was only $10 million.
- Some of the cost was paid by those who directly benefited from the programs ($2.86 million), or by grants and contributions ($530 thousand).

Table A-3
Net Cost of Selected County Functions
(in thousands of dollars)

	Total Cost of Services		Net Costs of Services	
	2016	2015	2016	2015
General Government	1,226	1,142	765	675
Public Safety	5,367	5,057	4,648	4,691
Judicial	1,084	987	330	242
Highways, Streets, and Bridges	2,825	2,820	1,838	2,137

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The County reported fund balance in its governmental funds of approximately $16.265 million at September 30, 2016. This balance is composed of the following in thousands

General	6,623
Special revenue	1,386
Debt service	3,131
Capital projects	5,125
	16,265

The general fund increased $429 thousand. Reasons for this are discussed on page 4. The capital project fund balance increased $10 thousand because of investment earnings. Construction projects had been completed in the previous year. The debt service fund balances decreased $880 thousand because of principal and interest on debt exceeded property tax revenue and payments from TxDot toward debt retirement payments. The first semi-annual payment in this year was less than the normal anticipated payment by about $900 thousand because there were a few things incomplete on finishing the loop project. Starting with the second semi-annual payment, the full amount of the payment from TxDot is being received. Fund balance in the special revenue funds is up $66 thousand.

General Fund Budgetary Highlights

Several budget amendments were made during the year. Even with these amendments, actual expenditures were less than budgeted by $378 thousand, or 4%. Actual revenues were $523 thousand more than budgeted. $515 thousand was budgeted as a decrease to fund balance. Actually, the fund balance increased $429 thousand from the excess of revenues over expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table A-4
County's Capital Assets
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Land	352	352	-	-
Construction in progress	-	248	-	-
Buildings and improvements	12,029	11,672	-	-
Machinery and equipment	5,949	5,950	331	331
Roads and bridges	14,945	14,945	-	-
Totals at historical cost	33,275	33,167	331	331
Total accumulated depreciation	21,084	20,436		331
Net capital assets	12,191	12,731	331	-

Long-Term Debt

Table A-5
County's Long-Term Debt
(in thousands of dollars)

	Governmental Activities	
	2016	2015
Bonds payable	138,339	143,453
	138,339	143,453

The County has begun receiving a guaranteed $8.4 million each year for a period of twenty years from the State to assist in paying off the debt obtained to build the Loop.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Valuation of the two local power plants, one owned by Luminant Generation LLC and the other by AEP Southwestern Electric, will continue to be an area of uncertainty over the next few years. Both companies have coal fired generation units which have been under close scrutiny by the Environmental Protection Agency. Proposed regulations, if unchanged, pose serious consequences to both plants and could even result in plant closures. While the Luminant plant has already been devalued to $50 million on the county's tax roll the County could face further devaluation of the AEP Southwestern Electric plant that could result in significant budget challenges requiring future budget cuts and tax rate increases.

The General Fund fund balance at September 30, 2016 is expected to be approximately $6,000,000. The 2017 Budget has been adopted with a slight tax increase. The County expects to finish 2017 with a lower fund balance due to the fact that the Loop Construction project has been completed, and a lower fund balance is justified. Certain non-recurring expenditures for capital items may be paid for out of fund balance.

The M&O tax rate for 2017 .3282; in 2016 the rate was .3246

The I & S tax rate for 2017 .1302; in 2016 the rate was .1229

The overall tax rate for 2017 is .4584. In 2016 the overall rate was .4475. The rollback rate for 2017 is .5953.

In both 2015 and 2016, the Luminant Generation power plant rendered a $50 million valuation. The final valuation for the year will be determined in state court. The county, for budgeting and property tax purposes, has used this rendered value of $50 million.

In May of 2006, the citizens of Titus County passed an election to construct a loop round the southern end of Mt. Pleasant and Titus County. The total loop project was estimated to cost $168 million. This Loop is a State of Texas TxDot Pass-Through Toll Project whereby the local taxing authorities provide the initial monies and the state reimburses at a pre-arranged percentage. The reimbursement occurs over twenty years once the project is completed. In Titus County's case, the state has agreed to pay back about 80% of the total cost of the project which includes administration, purchase of right of way, construction plus interest costs incurred during the construction and payback period. In September 2006, the County issued the first bonds for this project. At that time $1.8 million was issued. These bonds were paid back in one year with the tax revenues received through the I&S rate. In September 2007 the County issued a second series of bonds for $29,665,000. These funds were received in October 2007. In September of 2009 a third series of bonds for $39,000,000 was issued. These funds were received in September 2009. In June 2012 the last of these bonds were issued. The Series 2012-A Pass thru Toll Revenue Bond was issued for $36,680,000 and the Series 2012-B Pass thru Toll Revenue Bond was issued for $44,345,000. These bonds will be paid back over a 20-25 year period. The project was completed in 2015 at which time State reimbursement began.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Titus County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the County's Auditor's Office.

BASIC FINANCIAL STATEMENTS

GOVERNMENT WIDE STATEMENTS

EXHIBIT A-1

TITUS COUNTY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 8,126,725	$ 199,214	$ 8,325,939
Receivables (net of allowance for uncollectibles)	6,027,751	-	6,027,751
Inventories	-	4,676	4,676
Prepaid Items	273,308	269	273,577
Restricted Assets:			
Restricted Cash and Cash Equivalents	9,756,086	-	9,756,086
Capital Assets:			
Land	351,512	-	351,512
Infrastructure, net	4,490,950	-	4,490,950
Buildings, net	6,682,176	-	6,682,176
Machinery and Equipment, net	666,058	3	666,061
Receivable- Texas Department of Transportation	154,769,424	-	154,769,424
Total Assets	191,143,990	204,162	191,348,152
DEFERRED OUTFLOW OF RESOURCES			
Deferred Outflow Related to Pension Plan	3,051,357	-	3,051,357
Total Deferred Outflows of Resources	3,051,357	-	3,051,357
LIABILITIES			
Accounts Payable	633,032	1,888	634,920
Due to Other Governments	734,315	-	734,315
Unearned Revenues	61,324	-	61,324
Noncurrent Liabilities			
Due Within One Year	5,302,514	-	5,302,514
Due in More Than One Year	133,036,061	-	133,036,061
Net Pension Liability	2,463,863	-	2,463,863
Total Liabilities	142,231,109	1,888	142,232,997
DEFERRED INFLOW OF RESOURCES			
Unavailable Revenue - Taxes, Fines, & Fees	4,457,161	-	4,457,161
Deferred Inflow Related to Pension Plan	741,191	-	741,191
Total Deferred Inflows of Resources	5,198,352	-	5,198,352
NET POSITION			
Net Investment in Capital Assets	28,621,545	-	28,621,545
Restricted for:			
Restricted for Debt Service	3,130,341	-	3,130,341
Restricted for Capital Projects	5,125,240	-	5,125,240
Restricted for Special Revenue Funds	1,386,127	-	1,386,127
Unrestricted Net Position	8,502,633	202,274	8,704,907
Total Net Position	$ 46,765,886	$ 202,274	$ 46,968,160

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

TITUS COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
General Government	$ 1,226,318	$ 460,868	$ -
Judicial	1,083,542	754,431	-
Legal	478,751	86,096	28,310
Financial	1,056,846	271,916	-
Public Facility	253,289	39,000	-
Public Safety	5,366,683	530,080	188,884
Health & Welfare	171,781	18,600	10,676
Highways, Streets, & Bridges	2,825,103	684,636	302,303
Cultural and Recreational	24,108	15,345	-
County Extension	88,110	-	-
Miscellaneous	56,852	-	-
Bond Interest	5,813,232	-	-
Bond Interest	3,224	-	-
Total Governmental Activities:	18,447,839	2,860,972	530,173
BUSINESS-TYPE ACTIVITIES:			
Commissary	80,690	157,275	-
Election	202,103	41,149	-
Total Business-Type Activities:	282,793	198,424	-
TOTAL PRIMARY GOVERNMENT:	$ 18,730,632	$ 3,059,396	$ 530,173

General Revenues:
Taxes:
Property Taxes, Levied for General Purposes
Property Taxes, Levied for Debt Service
Other Taxes
Miscellaneous Revenue
Investment Earnings
Transfers In (Out)
Total General Revenues and Transfers

Change in Net Position

Net Position - Beginning
Prior Period Adjustment
Net Position--Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
$ (765,450)	$ -	$ (765,450)
(329,111)	-	(329,111)
(364,345)	-	(364,345)
(784,930)	-	(784,930)
(214,289)	-	(214,289)
(4,647,719)	-	(4,647,719)
(142,505)	-	(142,505)
(1,838,164)	-	(1,838,164)
(8,763)	-	(8,763)
(88,110)	-	(88,110)
(56,852)	-	(56,852)
(5,813,232)	-	(5,813,232)
(3,224)	-	(3,224)
(15,056,694)	-	(15,056,694)
-	76,585	76,585
-	(160,954)	(160,954)
-	(84,369)	(84,369)
(15,056,694)	(84,369)	(15,141,063)
7,263,934	-	7,263,934
2,808,351	-	2,808,351
2,369,437	-	2,369,437
254,672	-	254,672
77,316	72	77,388
(120,000)	120,000	-
12,653,710	120,072	12,773,782
(2,402,984)	35,703	(2,367,281)
49,156,870	166,571	49,323,441
12,000	-	12,000
$ 46,765,886	$ 202,274	$ 46,968,160

GOVERNMENTAL FUND FINANCIAL STATEMENTS

TITUS COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Texas Capital Fund Escrow	2012 "A" Debt Service Fund
ASSETS			
Cash and Cash Equivalents	$ 6,478,579	$ 734,315	$ 762,049
Receivables (Net)	5,175,503	-	4,691
Prepaid Items	270,908	-	-
Total Assets	$ 11,924,990	$ 734,315	$ 766,740
LIABILITIES			
Accounts Payable	$ 142,372	$ -	$ -
Due to Other Governments	-	734,315	-
Unearned Revenues	6,559	-	-
Total Liabilities	148,931	734,315	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Taxes, Fines & Fees	5,153,168	-	4,692
Total Deferred Inflows of Resources	5,153,168	-	4,692
FUND BALANCES			
Capital Projects	-	-	-
Retirement of Long Term Debt	-	-	762,048
Reported in Special Revenue Funds	-	-	-
Unassigned Fund Balance	6,622,891	-	-
Total Fund Balances	6,622,891	-	762,048
Total Liabilities, Deferred Inflows & Fund Balances	$ 11,924,990	$ 734,315	$ 766,740

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

2009 Debt Service Fund	2012 "B" Debt Service Fund	2004 ROW Capital Projects	Other Funds	Total Governmental Funds
$ 773,638	$ 585,939	$ 3,474,187	$ 4,426,383	$ 17,235,090
210,404	168,859	-	413,850	5,973,307
-	-	-	2,400	273,308
$ 984,042	$ 754,798	$ 3,474,187	$ 4,842,633	$ 23,481,705
$ -	$ -	$ -	$ 377,285	$ 519,657
-	-	-	-	734,315
-	-	-	54,764	61,323
-	-	-	432,049	1,315,295
210,404	168,859	-	364,688	5,901,811
210,404	168,859	-	364,688	5,901,811
-	-	3,474,187	1,651,053	5,125,240
773,638	585,939	-	1,008,716	3,130,341
-	-	-	1,386,127	1,386,127
-	-	-	-	6,622,891
773,638	585,939	3,474,187	4,045,896	16,264,599
$ 984,042	$ 754,798	$ 3,474,187	$ 4,842,633	$ 23,481,705

EXHIBIT C-2

TITUS COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

Total Fund Balances - Governmental Funds	$	16,264,599
The County uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to Increase (decrease) net position.		743,885
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $33,166,573 and the accumulated depreciation was ($20,435,616). In addition, long-term liabilities, including bonds payable, and the pension payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. Also, a receivable from TxDot to help pay debt payments is included. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt and the net pension payable, in the governmental activities is to increase net position.		31,480,270
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements,but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to increase (decrease) net position.		5,159,119
Included in the items related to debt is the recognition of the County's proportionate share of the net pension liability required by GASB 68 as amended by GASB 71 in the amount of $2,463,864, a Deferred Resource Inflow related to TCDRS in the amount of $741,191 and a Deferred Resource Outflow related to TRS in the amount of $3,051,357. This amounted to a decrease in Net Position in the amount of $232,631.		(232,631)
The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(814,345)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and reclassifying collections from TxDot against the receivable booked in the previous year. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(5,835,011)
Net Position of Governmental Activities	$	46,765,886

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

TITUS COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Texas Capital Fund Escrow	2012 "A" Debt Service Fund
REVENUES:			
Taxes	$ 7,521,615	$ -	$ 213,889
Licenses and Permits	24,176	-	-
Intergovernmental Revenue and Grants	474,911	-	1,869,545
Charges for Services	1,351,442	-	-
Fines	-	-	-
Other Revenue	118,941	-	3,462
Total Revenues	9,491,085	-	2,086,896
EXPENDITURES:			
Current:			
General Government	1,053,795	-	-
Judicial	874,120	-	-
Legal	243,097	-	-
Financial	1,047,689	-	-
Public Facility	251,827	-	-
Public Safety	4,763,761	-	-
Health & Welfare	170,867	-	-
Highways, Streets, & Bridges	-	-	-
Cultural and Recreational	-	-	-
County Extension	86,648	-	-
Miscellaneous	-	-	-
Debt Service:			
Bond Principal	-	-	585,000
Bond Interest	-	-	1,735,175
Bond Fees	-	-	806
Capital Outlay:			
Capital Outlay	261,162	-	-
Total Expenditures	8,752,966	-	2,320,981
Excess (Deficiency) of Revenues Over (Under) Expenditures	738,119	-	(234,085)
OTHER FINANCING SOURCES (USES):			
Transfers In	51,806	-	-
Other Resources	11,546	-	-
Transfers Out (Use)	(372,000)	-	-
Total Other Financing Sources (Uses)	(308,648)	-	-
Net Change in Fund Balances	429,471	-	(234,085)
Fund Balance - October 1 (Beginning)	6,193,420	-	996,133
Prior Period Adjustment	-	-	-
Fund Balance - September 30 (Ending)	$ 6,622,891	$ -	$ 762,048

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

2009 Debt Service Fund	2012 "B" Debt Service Fund	2004 ROW Capital Projects	Other Funds	Total Governmental Funds
$ 899,390	$ 1,117,695	$ -	$ 1,755,806	$ 11,508,395
-	-	-	684,636	708,812
1,903,546	1,869,545	-	2,287,798	8,405,345
-	-	-	209,869	1,561,311
-	-	-	86,730	86,730
2,897	2,501	12,170	87,282	227,253
2,805,833	2,989,741	12,170	5,112,121	22,497,846
-	-	-	-	1,053,795
-	-	-	196,594	1,070,714
-	-	-	204,814	447,911
-	-	-	1,845	1,049,534
-	-	-	-	251,827
-	-	-	195,665	4,959,426
-	-	-	914	171,781
-	-	-	2,265,566	2,265,566
-	-	-	24,108	24,108
-	-	-	-	86,648
-	-	-	56,852	56,852
1,425,000	1,565,000	-	1,307,000	4,882,000
1,564,738	1,652,938	-	1,092,895	6,045,746
806	806	-	806	3,224
-	-	-	15,957	277,119
2,990,544	3,218,744	-	5,363,016	22,646,251
(184,711)	(229,003)	12,170	(250,895)	(148,405)
-	-	-	202,217	254,023
-	-	-	15,556	27,102
-	-	-	(147,023)	(519,023)
-	-	-	70,750	(237,898)
(184,711)	(229,003)	12,170	(180,145)	(386,303)
958,349	814,942	3,462,017	4,214,041	16,638,902
-	-	-	12,000	12,000
$ 773,638	$ 585,939	$ 3,474,187	$ 4,045,896	$ 16,264,599

EXHIBIT C-4

TITUS COUNTY

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

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Total Net Change in Fund Balances - Governmental Funds	$	(386,303)
The County uses some internal service funds to charge the costs of certain activities primarily to the governmental funds. The net income (loss) of these internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) the change in net position.		(1,246)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to increase (decrease) the change in net position.		5,159,119
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying collections from TxDot on accounts receivable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		(6,127,578)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(814,345)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date from the prior year of 12/31/2014 caused the change in the ending net position to decrease in the amount of $706,133. Contributions made after the measurement date of 12/31/15 but during the 2016 FY were dexpended and recorded as a reduction in the net pension liability for the district. This also caused a increase in the change in net position in the amount of $650,806. The County recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The additional amounts expensed for FY2016 were $44,729 for pension expense. The County also recorded the amortization of the deferred inflow and outflow that were recorded in the previous year in the amount of $132,574 which increased net position. The impact of all of these is to decrease the change in net position by $232,631.		(232,631)
Change in Net Position of Governmental Activities	$	(2,402,984)

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

EXHIBIT C-5

TITUS COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	$ 7,296,641	$ 7,263,835	$ 7,521,615	$ 257,780
Licenses and Permits	12,000	12,000	24,176	12,176
Intergovernmental Revenue and Grants	196,000	196,000	474,911	278,911
Charges for Services	1,397,000	1,397,000	1,351,442	(45,558)
Other Revenue	99,022	99,022	118,941	19,919
Total Revenues	9,000,663	8,967,857	9,491,085	523,228
EXPENDITURES:				
Current:				
General Government	1,367,695	1,186,971	1,053,795	133,176
Judicial	927,840	946,340	874,120	72,220
Legal	210,318	216,378	243,097	(26,719)
Financial	1,041,295	1,066,611	1,047,689	18,922
Public Facility	198,580	245,381	251,827	(6,446)
Public Safety	4,776,266	4,919,199	4,763,761	155,438
Health & Welfare	178,224	178,224	170,867	7,357
County Extension	87,447	87,447	86,648	799
Capital Outlay:				
Capital Outlay	340,620	288,098	261,162	26,936
Total Expenditures	9,128,285	9,134,649	8,752,966	381,683
Excess (Deficiency) of Revenues Over (Under) Expenditures	(127,622)	(166,792)	738,119	904,911
OTHER FINANCING SOURCES (USES):				
Transfers In	-	23,078	51,806	28,728
Other Resources	-	-	11,546	11,546
Transfers Out (Use)	(360,000)	(372,000)	(372,000)	-
Total Other Financing Sources (Uses)	(360,000)	(348,922)	(308,648)	40,274
Net Change	(487,622)	(515,714)	429,471	945,185
Fund Balance - October 1 (Beginning)	6,193,420	6,193,420	6,193,420	-
Fund Balance - September 30 (Ending)	$ 5,705,798	$ 5,677,706	$ 6,622,891	$ 945,185

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

PROPRIETARY FUND FINANCIAL STATEMENTS

EXHIBIT D-1

TITUS COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 199,214	$ 647,721
Accounts Receivable-Net of Uncollectible Allowance	-	54,444
Inventories	4,676	-
Prepaid Items	269	-
Total Current Assets	204,159	702,165
Noncurrent Assets:		
Capital Assets:		
Land Purchase and Improvements	-	79,790
Buildings	-	151,858
Accumulated Depreciation - Buildings	-	(76,553)
Improvements other than Buildings	-	4,994
Accumulated Depreciation - Other Improvements	-	(4,994)
Machinery and Equipment	332,654	118,603
Accumulated Depreciation - Machinery & Equipment	(332,651)	(118,603)
Total Noncurrent Assets	3	155,095
Total Assets	204,162	857,260
LIABILITIES		
Current Liabilities:		
Accounts Payable	1,888	113,375
Total Liabilities	1,888	113,375
NET POSITION		
Unrestricted Net Position	202,274	743,885
Total Net Position	$ 202,274	$ 743,885

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

EXHIBIT D-2

TITUS COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities - Total Enterprise Funds	Governmental Activities - Total Internal Service Funds
OPERATING REVENUES:		
Charges for Services	$ 198,424	$ 1,777,427
Other Revenue	72	-
Total Operating Revenues	198,496	1,777,427
OPERATING EXPENSES:		
Highways, streets, and bridges	-	182,139
Insurance coverage and medical claims	-	1,738,499
Public safety	80,690	-
Elections	202,103	-
Depreciation	-	3,035
Total Operating Expenses	282,793	1,923,673
Income (Loss) Before Transfers	(84,297)	(146,246)
Non-Operating Transfer In	200,000	145,000
Transfers Out	(80,000)	-
Change in Net Position	35,703	(1,246)
Total Net Position -October 1 (Beginning)	166,571	745,131
Total Net Position September 30 (Ending)	$ 202,274	$ 743,885

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

EXHIBIT D-3

TITUS COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-Type Activities Total Enterprise Funds	Governmental Activities - Total Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from User Charges	$ 198,496	$ 387,469
Cash Received from Assessments - Other Funds	-	1,407,143
Cash Payments for Payroll and Benefits	(139,711)	(121,390)
Cash Payments for Insurance Claims	-	(1,771,010)
Cash Payments for Suppliers	(161,270)	(60,699)
Cash Payments for Other Operating Expenses	-	-
Net Cash Provided by (Used for) Operating Activities	(102,485)	(158,487)
Cash Flows from Non-Capital Financing Activities:		
Operating Transfers In/(Out)	120,000	145,000
Cash Flows from Capital & Related Financing Activities:		
Acquisition of Capital Assets	-	-
Cash Flows from Investing Activities:		
Purchase of Investment Securities	-	-
Net Increase(Decrease) in Cash and Cash Equivalents	17,515	(13,487)
Cash and Cash Equivalents at Beginning of the Year:	181,699	661,208
Cash and Cash Equivalents at the End of the Year:	$ 199,214	$ 647,721
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss):	$ (84,297)	$ (146,246)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	-	3,035
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Inventory	(200)	17,185
Increase (decrease) in Accounts Payable	(17,988)	(32,461)
Net Cash Provided by (Used for) Operating Activities	$ (102,485)	$ (158,487)

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

FIDUCIARY FUND FINANCIAL STATEMENTS

EXHIBIT E-1

TITUS COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016

	Agency Funds
ASSETS	
Cash and Cash Equivalents	$ 1,011,758
Total Assets	$ 1,011,758
LIABILITIES	
District Court cases payable/pending	$ 502,494
County Clerk cash bonds	144,939
Bail Bond Board deposits	364,325
Total Liabilities	$ 1,011,758

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Titus County, Texas is a county government operating under the applicable laws and regulations of the State of Texas. It is governed by a five member Commissioner's Court elected by registered voters of the County. The County prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in ***Statement on Auditing Standards No. 69*** of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's ***Financial Accountability System Resource Guide*** (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

Pensions. The fiduciary net position of the Texas County & County Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. REPORTING ENTITY

The Commissioner's Court is elected by the public and it has the authority to make decisions and significantly influence operations. It has the primary accountability for fiscal matters. Therefore, the County is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of Titus County with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, charges for services, grants and other intergovernmental revenues. Business type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the County operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the County. Examples include fees of offices. The "grants and contributions" column includes amounts paid by organizations outside the County to help meet the operational or capital requirements of a given function. If a revenue is not a program revenue, it is a general revenue used to support all of the County's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All inter-fund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Inter-fund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as inter-fund transfers. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The County considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The County considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the County to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The County applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

D. FUND ACCOUNTING

The County reports the following major governmental funds:

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

2. **Special Revenue Funds** -- One special revenue fund is a major fund. See the definition of this below.

3. **Debt Service Funds** – Three debt service funds are major funds. See the definition of these funds below.

4. **Capital Projects Fund** -- One capital project fund is a major fund. See the definition of these funds below.

Additionally, the County reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** -- The County accounts for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund.

2. **Debt Service Funds** -- The County accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

3. **Capital Project Funds** -- The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Proprietary Funds:

1. **Enterprise Funds** -- The County's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The County's non-major Enterprise Funds and commissary store at the County Jail and on Election Funds.

2. **Internal Service Funds** -- Revenues and expenses related to services provided to organizations inside the County on a cost reimbursement basis are accounted for in an internal service fund. The County's Internal Service Fund are a maintenance facility and a health insurance fund.

Fiduciary Funds:

1. **Agency Funds** -- The County accounts for resources held for others in a custodial capacity in agency funds. The County's Agency Funds contains the County Court Clerk funds for pending cases, the County Clerk cash bond accounts and the Bail Bond Board fund.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the County considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

3. Capital assets, which include land, buildings, machinery and equipment and roads and bridges are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

   Buildings, machinery and equipment of the County are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	15-50
Vehicles	4-7
Office Equipment	5-7
Computer Equipment	5-7
Machinery	7
Roads and Bridges	50

4. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the County as a whole.

5. Some cash and investments are restricted for future debt payments and for purchase of right of way.

6. The County has a self-insurance fund for health insurance.

7. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. When the County incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

9. Investments are recorded at fair market value.

10. Deferred Outflows/Inflows of Resources—The County implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended September 30, 2013. The County implemented GASB Statement No. 68, as amended by GASB no. 71, Accounting and Financial Reporting for Pensions for the year ended September 30, 2015. In addition to assets, the statement of net position 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 one type of item that qualifies for reporting in this category, deferred outflows related to TCDRS as per GASB 68 related to pension accounting. This will be recognized as an outflow of resources in the subsequent years as it is amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has one type of item that qualifies for reporting in this category, property taxes, fines, and fees. These amounts will be recognized as an inflow of resources in the subsequent years as collected.

11. Fund balance measures the net financial resources available to finance expenditures of future periods. The County's Unassigned General Fund Balance will be maintained to provide the County with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund balance may only be appropriated by resolution of the County Commissioner's Court.

    Fund balance of the County may be committed for a specific source by formal action of the County Commissioner's Court. Amendments or modifications of the committed fund balance must also be approved by formal action of the Commissioner's Court.

    When it is appropriate for fund balance to be assigned, the Commissioner's Court delegates authority to the County Judge and Auditor. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, a receivable from TxDot to make principal and interest payments on the Loop Construction completed in 2015 is not reflected in the governmental funds. Reimbursements from TxDot are to be received semi-annually as debt payments come due.The details of capital assets, the TxDot receivable, the net pension liability, and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Position
Land	271,722	-	271,722	
Construction in Progress	247,693	-	247,693	
Buildings and Improvements	11,514,692	5,244,040	6,270,652	
Machinery and Equipment	5,832,221	4,839,916	992,305	
County Roads & Bridges	14,945,000	10,154,545	4,790,455	
Change in Net Position	32,811,328	20,238,501	12,572,827	12,572,827
Receivable-TxDot--Balance at beginning of year				162,281,599

This does not include fixed assets of the internal service funds.

Long-term liabilities at the Beginning of the year	Payable at the Beginning of the Year	
Bonds Payable	(143,453,089)	
Notes Payable	-	
Change in Net Position		(143,453,089)
Net Pension Liability		
Net Pension Liability	(1,091,944)	
Deferred Outflow related to TCDRS	1,170,877	
Deferred Inflow related to TCDRS	-	
Change in Net Position		78,933
Net Adjustment to Net Position		31,480,270

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
Current year Capital Outlay			
Buildings and improvements	110,370	110,370	110,370
Machinery and equipment	166,749	166,749	166,749
Total Capital Outlay	277,119	277,119	277,119
Debt Principal Payments			
Bond Principal	4,882,000	4,882,000	4,882,000
Total Principal Payments	4,882,000	4,882,000	4,882,000
Total Adjustments to Net Position		5,159,119	5,159,119

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
Adjustments to Revenue and Deferred Revenue			
Taxes Collected from PriorYear Levies	258,454	(258,454)	-
Uncollected taxes (assumed collectible) from Current Year Levy	1,290,957	1,290,957	1,290,957
Uncollected Taxes (assumed collectible) from Prior Year Levy	153,693	-	153,693
Effect of prior year tax entry	119,580	119,580	-
Collection on TxDot receivable	7,512,175	(7,512,175)	(7,512,175)
Reclassify Proceeds of Bonds, Loans, and Capital Leases			
Amortization of Bond Premium	232,514	232,514	232,514
Total		(6,127,578)	(5,835,011)

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The County prepares its appropriated budget on a basis consistent with generally accepted accounting principles using the organization perspective, that is, the budget follows the formal, usually statutory, patterns of authority and responsibility granted to actually carry out the functions of the government. For example, the county judge's office has a separate budget from the county sheriff's office; although, various offices may be subsidized from revenues generated by maintenance and operation ad valorem taxes.

The county auditor and the county judge prepare an estimated budget based on recommendations and requests submitted by each department head. This estimated budget is presented to the commissioners, who then begin the process of reallocating specific items that, in their opinion, need to be modified. The final budget, when approved by the commissioner's court, is filed for public inspection with the county clerk. Public hearings are then held, if required, and the budget is adjusted, if necessary, and approved in its final form by commissioner's court. Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Revisions to the budget were made throughout the year.

The County does not record encumbrances as part of its accounting records.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and Cash Equivalents

County Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the County complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The County limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not investing in foreign currencies.

As of September 30, 2016, the following are the County's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity in Less than 1 year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Cash, Money Markets and FDIC Insured Accounts	19,093,783	100.0%	19,093,783	-	-	N/A
Total Cash and Cash Equivalents	$ 19,093,783	100.0%	$ 19,093,783	-	-	

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

a. Depository: Guaranty Bank and Trust

b. The market value of securities pledged as of September 30, 2016 was $20,239,425.

c. The combined balances of cash, savings, and time deposit accounts amounted to $20,739,425 as of September 30, 2016.

d. Total amount of FDIC coverage at September 30, 2016 was $500,000.

Investments

County Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act
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 a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. TITUS COUNTY, TEXAS is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for TITUS COUNTY, TEXAS are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the County limits investments in commercial paper, corporate bonds, mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2016, the County did not invest in commercial paper.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the County requires counterparties to register the securities in the name of the County and hand them over to the County or its designated agent. This includes securities in securities lending transactions.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the County limits investments to less than 5% of its total investments. The County further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the County requires all of the investment portfolio to have maturities of less than one year.

Foreign Currency Risk for Investments The County limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not allowing foreign investments.

The County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

In this discussion and in the table below, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

As of September 30, 2016, TITUS COUNTY, TEXAS had no investments subject to the fair value measurement.

		Fair Value Measurements Using		
		Quoted Prices in		
Investment by Fair Value Level	Balance at September 30, 2016	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
None				

TITUS COUNTY, TEXAS has no investments other than at the depository bank.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND TRANSFERS & BALANCES

Transfers between funds were as follows:

Transfers to Non-major Governmental Funds from:	
General Fund	31,728
Enterprise Funds	80,000
Nonmajor Governmental Funds	95,215
Total	206,943
Transfers to Internal Service Funds from:	
General Fund	145,000
Total	145,000
Transfers to Enterprise Funds from:	
General Fund	200,000
Total	200,000
Transfers to General Fund from:	
Non-major Governmental Funds	47,078
Total	47,078

There were no amounts due to/from between funds at September 30, 2016.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at September 30, 2016, were as follows:

	Property Taxes	Fees of Office	Intergover-nmental	Other	Total Receivables
Governmental Activities:					
General Fund	1,029,496	8,746,193	20,666	1,669	9,798,024
Major Debt Service Funds	426,615	-	-	-	426,615
Non-major Governmental Funds	405,208	-	49,162	-	454,370
Internal Service Funds	-	-	-	54,444	54,444
Total-Governmental Activities	1,861,319	8,746,193	69,828	56,113	10,733,453
Amount not scheduled for collection during the subsequent year	186,130	4,519,572	-	-	4,705,702
Proprietary Activities:					
Non-major Proprietary Funds	-	-	-	-	-
Amount not scheduled for collection during the subsequent year	-	-	-	-	-

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES (cont'd)

Payables at September 30, 2016, were as follows:

	Accounts	Salaries and Benefits	Due to Other Governments	Other	Total Payables
Governmental Activities:					
General Fund	43,753	-	-	98,619	142,372
Major Special Revenue Fund	-	-	734,315	-	734,315
Non-major Governmental Funds	46,529	-	29,586	301,170	377,285
Internal Service Funds	4,437	108,938	-	-	113,375
Total-Governmental Activities	94,719	108,938	763,901	399,789	1,367,347
Amount not scheduled for collection during the subsequent year	-	-	-	-	-
Proprietary Activities:					
Non-major Proprietary Funds	1,888	-	-	-	1,888
Amount not scheduled for collection during the subsequent year	-	-	-	-	-

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the County for the year ended September 30, 2016, was as follows:

	Primary Government				
	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Governmental Activities:					
District:					
Land	351,512	-	-	-	351,512
Loop Construction in Progress	-	-	-	-	-
Buildings and Improvements	11,671,544	358,063	-	-	12,029,607
Construction in Progress	247,693	-	(247,693)	-	-
Machinery and Equipment	5,950,824	166,749	(168,602)	-	5,948,971
County Roads and Bridges	14,945,000	-	-	-	14,945,000
Totals at Historic Cost	33,166,573	524,812	(416,295)	-	33,275,090
Less Accumulated Depreciation for:					
Buildings and Improvements	(5,081,667)	(265,764)	-	-	(5,347,431)
Machinery and Equipment	(5,199,404)	(252,111)	168,602	-	(5,282,913)
Roads	(10,154,545)	(299,505)	-	-	(10,454,050)
Total Accumulated Depreciation	(20,435,616)	(817,380)	168,602	-	(21,084,394)
Governmental Activities Capital Assets, Net	12,730,957	(292,568)	(247,693)	-	12,190,696
Business-type Activities:					
Furniture and Equipment	331,169	-	-	-	331,169
Less Accumulated Depreciation					
Furniture and Equipment	(331,164)	-	-	-	(331,164)
Business-type Activities Capital Asstes, Net:	5	-	-	-	5

Depreciation expense was charged to proprietary activities functions as follows:

Elections	-

Depreciation expense was charged to governmental functions as follows:

General government	129,298
Public Safety	266,607
Highways, streets, and bridges	421,475
Total Depreciation Expense	817,380

The above includes internal service funds depreciation of $3,035.

G. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended September 30, 2016.

Description	Interest Rate	Payable at 10/1/2015	Additions (Reductions)	Payable at 9/30/2016	Due within one year
Unlimited Tax and Pass-Through	4.0%				
Toll Revenue Bonds--Series 2007	4-5%	24,035,000	(1,070,000)	22,965,000	1,115,000
Bond Premium--Series 2007		28,953	(1,809)	27,144	1,809
Unlimited Tax and Pass-Through	2.5%				
Toll Revenue Bonds--Series 2009	2.5-5%	35,095,000	(1,425,000)	33,670,000	1,480,000
Bond Premium--Series 2009		138,152	(8,127)	130,025	8,127
Limited Tax Refunding Bonds-					
Series 2011	3.24%	997,000	(237,000)	760,000	245,000
Unlimited Tax and Pass-Through					
Toll Revenue Bonds-Series 2012-A	3-5%	36,105,000	(585,000)	35,520,000	610,000
Bond Premium-Series 2012-A		3,143,744	(165,460)	2,978,284	165,460
Pass-Through Toll Revenue and					
Limited Tax Bonds-Series 2012-B	3-5%	42,825,000	(1,565,000)	41,260,000	1,620,000
Bond Premium-Series 2012-B		1,085,240	(57,118)	1,028,122	57,118
		143,453,089	(5,114,514)	138,338,575	5,302,514

The debt service fund long-term debt as of September 30, 2016, follows:

(A) Unlimited Tax and Pass-Through Toll Revenue Bonds Due in annual installments with interest at 4.00%-4.50%	22,965,000
(B) Unamortized Bond Premium	27,144
(C) Unlimited Tax and Pass-Through Toll Revenue Bonds Due in annual installments with interest at 2.5%-5.00%	33,670,000
(D) Unamortized Bond Premium	130,025
(E) Limited Tax Refunding Bond, Series 2011 Due in annual installments with interest at 3.24%	760,000
(F) Unlimited Tax and Pass-Through Toll Revenue Bonds Series 2012-A Due in annual installments with interest at 3-5%.	35,520,000
(G) Unamortized Bond Premium-Series 2012-A	2,978,284
(H) Pass-Through Toll Revenue and Limited Tax Bonds Series 2012-B Due in annual installments with interest at 3-5%.	41,260,000
(I) Unamortized Bond Premium- Series 2012-B	1,028,122
	138,338,575

G. CHANGES IN LONG-TERM DEBT (cont'd)

The annual requirements to amortize bonded debt and certificates of obligation as of September 30, 2016, follows:

	General Obligations		
Year Ended September 30	Principal	Interest	Total Requirements
2017	5,070,000	5,859,561	10,929,561
2018	5,258,000	5,668,033	10,926,033
2019	5,477,000	5,452,299	10,929,299
2020	5,720,000	5,209,342	10,929,342
2021	5,970,000	4,956,007	10,926,007
2022-2026	33,755,000	20,894,305	54,649,305
2027-2031	42,340,000	12,299,443	54,639,443
2032-2036	30,585,000	2,203,000	32,788,000
	134,175,000	62,541,990	196,716,990

In November, 2007, the County received $29.665 million in Unlimited Tax and Pass-Through Toll Revenue Bonds, Series 2007, to be used for architectural, engineering, and right of way purchases for the loop project.

In September, 2009, the County received $39 million in Unlimited Tax and Pass-Through Toll Revenue Bonds, to be used for construction of the loop project.

In June 2011, the County issued the Limited Tax Refunding Bonds, Series 2011. Proceeds were used to pay off the Certificates of Obligation Series 2004. This transaction resulted in a reduction in future debt service payments of $114 thousand and an economic gain of $63 thousand in present value. The principal balance of the refunded bonds at September 30, 2016 is $772,000.

In July, 2012, the County received $36.68 million in Unlimited Tax and Pass-Through Toll Revenue Bonds, Series 2012-A to be used for construction of the loop project.

In July, 2012, the County received $44.345 million in Pass-Through Toll Revenue and Limited Tax Bonds-Series 2012-B to be used for construction of the loop project.

The state has now began repaying the $168.62 million pass-through reimbursements to the County to assist in paying off the debt. The remaining balance to be received is $154.77 million.

H. RECEIVABLE- TEXAS DEPARTMENT OF TRANSPORTATION

The Loop construction was completed the prior year. In exchange for assuming maintenance and ownership of the completed loop, the state has begun payments on the $168.62 million pass through reimbursements. This is payable over a maximum of twenty years beginning this year at a minimum of $8.431 million per year. The balance is $154.77 million at September 30, 2016.

I. DEFINED BENEFIT PENSION PLANS

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of over 600 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 80 or more. A member is vested after 10 years of service but must leave his accumulated contributions in the plan to receive any employer-financed benefit. If a member withdraws his personal contributions in a lump-sum, he is not entitled to any amounts contributed by the employer.

All eligible employees of the County are required to participate in the TCDRS.

Benefits Provided

TCDRS provides retirement, disability and death benefits. Benefit provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS.

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 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 as if 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 December 31, 2014 and 2015 valuation and measurement date, the following employees were covered by the benefit terms:

	2014	2015
Inactive employees or beneficiaries currently receiving benefits	75	81
Inactive employees entitled to but not yet receiving benefits	-	-
Active employees	140	145
	215	226

Contributions

The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

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 11.17% and 9.43% in calendar years 2015 and 2016. The County's contributions to TCDRS for the year ended September 30, 2016 was $507,590 and was equal to the required contributions.

Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2015, 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, 2015 actuarial valuations were determined using the following actuarial assumptions:

Inflation	3.0% per year
Overall payroll growth	3.5% per year
Investment Rate of Return	8.0% per year

Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. These assumptions reflect a long-term perspective of 30 years or more. Examples of key economic assumptions include long-term investment return, long-term inflation and annual payroll increase.

Demographic assumptions are the actuary's best estimate of what will happen to TCDRS members and retirees. Examples of demographic assumptions are employment termination rates, retirement rates and retiree mortality rates. A complete listing of all actuarial assumptions can be found in the annual system-wide valuation report.

The long-term expected rate of return on pension plan investments is 8.1% for 2014 and 2015 measurement dates. 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. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

I. DEFINED BENEFIT PENSION PLANS (continued)

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

Asset Class	Target Allocation	Geometric Real Rate of Return
US Equity	14.5%	5.45%
International Equity	18.0%	5.45-6.45%
Various	28.5%	1.0-8.1%
Hedge Funds	25.0%	5.25%
Private Equity	14.0%	8.45%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1% for 2014 and 2015. 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 statute. 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 periods 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/(Asset) (a) - (b)
Balance at December 31, 2014	$ 25,906,546	$ 24,814,602	$ 1,091,944
Changes for the year:			
Service cost	773,990	-	773,990
Interest	2,086,698	-	2,086,698
Effects of plan changes	(104,759)	-	(104,759)
Effects of economic/demographic gains/losses	(988,255)	-	(988,255)
Changes of assumptions	261,759	-	261,759
Contributions - employer	-	568,251	(568,251)
Contributions - employee	-	355,952	(355,952)
Net investment income	-	(322,243)	322,243
Benefit payments, including refund of contributions	(1,226,425)	(1,226,425)	-
Administrative expense	-	(17,646)	17,646
Other changes	-	73,200	(73,200)
Net changes	$ 803,008	$ (568,911)	$ 1,371,919
Balance at December 31, 2015	$ 26,709,554	$ 24,245,691	$ 2,463,863

I. DEFINED BENEFIT PENSION PLANS (continued)

Sensitivity of the net pension liability to changes in the discount rate

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

Measurement Date		1% Decrease in Discount Rate 7.1%	Discount Rate 8.1%	1% Increase in Discount Rate 9.1%
12/31/2014	County's net pension liability/(Asset)	$ 4,363,892	$ 1,091,944	$ (1,611,063)
12/31/2015	County's net pension liability/(Asset)	$ 5,840,713	$ 2,463,863	$ (350,127)

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended September 30, 2016, the County recognized pension expense of $507,950.

At September 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	131,102	741,191
Changed is actuarial assumptions	196,319	-
Difference between projected and actual investment earnings	2,073,130	-
Contributions subsequent to the measurement date	650,806	-
Total	3,051,357	741,191

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

Year ended September 30:	
2017	418,965
2018	418,965
2019	353,414
2020	468,015
2021	-
Thereafter	-

J. REVOLVING LOAN FUND

No new loans are expected to be made. $734 thousand of cash is in this fund at September 30, 2016. It is anticipated that these remaining funds will be returned to the state grant agency in the future.

K. FEDERAL GRANTS

In the normal course of operations, the County receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

L. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2016, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

M. DEFERRED INFLOWS OF RESOURCES

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable and fines expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

N. SELF INSURANCE FUNDS

During the year ended September 30, 2016, employees of the County were covered by the County's medical self-insurance Plan (the "Plan"). The County contributed $850 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents or increased coverage. Claims were paid by a third party administrator acting on behalf of the County.

The administrative contract between the County and the Third party administrator is renewable annually and administrative fees and stop-loss premiums are included in the contractual provisions. In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Sun Life, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance code. Stop loss coverage was in effect for individual claims exceeding $50,000 and an aggregate loss limit of $1,000,000.

Changes in the balances of claims liabilities during the past year for the medical plan are as follows:

	Year Ended September 30, 2015	Year Ended September 30, 2016
Unpaid claims, beginning of the year	-	-
Incurred claims (including IBNR's)	801,166	923,498
Claim Payments	801,166	923,498
Unpaid claims, end of fiscal year	-	-

O. COMMITMENTS AND CONTINGENCIES

The County has no significant commitments or contingencies at September 30, 2016.

P. LITIGATION

The County has no pending litigation at September 30, 2016.

Q. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 30, 2016, the financial statement issuance date.

R. PRIOR PERIOD ADJUSTMENT

A prior period adjustment is posted to a non-major special revenue fund (the capital murder fund) to correct for a transfer in to that fund for $12,000. This increased the governmental funds beginning fund balance and the government wide beginning net position.

REQUIRED SUPPLEMENTAL INFORMATION

EXHIBIT F-1

TITUS COUNTY
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SEPTEMBER 30, 2016

	2016	2015
A. Total Pension Liability		
Service Cost	$ 773,990	$ 775,708
Interest (on the Total Pension Liability)	2,086,698	1,930,792
Effect of Plan Changes	(104,759)	-0-
Effect of economic/demographic gains or losses	(988,255)	262,203
Changes of Assumptions	261,759	-0-
Benefit Payments, including refunds of employee contributions	(1,226,425)	(1,017,764)
Net change in Total Pension Liability	$ 803,008	$ 1,950,939
Total Pension Liability - Beginning	25,906,546	23,955,607
Total Pension Liability - Ending	$ 26,709,554	$ 25,906,546
B. Total Fiduciary Net Position		
Contributions - Employer	$ 568,251	$ 608,019
Contriubtions - Employee	355,952	374,877
Net Investment Income	(322,243)	1,566,641
Benefit Payments, including refunds of employee contributions	(1,226,425)	(1,017,764)
Administrative Expense	(17,646)	(18,516)
Other	73,199	49,608
Net Change in Plan Fiduciary Net Position	$ (568,912)	$ 1,562,865
Plan Fiduciary Net Position - Beginning	24,814,602	23,251,737
Plan Fiduciary Net Position - Ending	$ 24,245,690	$ 24,814,602
C. Net Pension Liability	$ 2,463,864	$ 1,091,944
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.77%	95.79%
E. Covered Employee Payroll	$ 5,161,280	$ 5,262,480
F. Net Pension Liability as a Percentage of Covered Employee Payroll	47.73%	20.74%

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

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

EXHIBIT F-2

TITUS COUNTY
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SEPTEMBER 30, 2016

	2016	2015
Actuarially Determined Contribution	$ 507,590	$ 588,071
Contributions in Relation to the Actuarially Determined Contributions	507,590	588,071
Contribution Deficiency (Excess)	$ -0-	$ -0-
Covered Employee Payroll	$ 5,161,280	$ 5,262,480
Contributions as a Percentage of Covered Employee Payroll	9.83%	11.17%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

COMBINING SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

TITUS COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Security Fees Fund	Jury Fund	Law Library	Road & Bridge #1
ASSETS				
Cash and Cash Equivalents	$ 85,604	$ 72,358	$ 18,058	$ 16,183
Receivables (Net)	-	23,788	-	62,652
Prepaid Items	-	-	-	-
Total Assets	$ 85,604	$ 96,146	$ 18,058	$ 78,835
LIABILITIES				
Accounts Payable	$ 6,100	$ 6,793	$ 2,000	$ 1,266
Unearned Revenues	-	-	-	-
Total Liabilities	6,100	6,793	2,000	1,266
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes, Fines & Fees	-	23,788	-	62,652
Total Deferred Inflows of Resources	-	23,788	-	62,652
FUND BALANCES				
Capital Projects	-	-	-	-
Retirement of Long Term Debt	-	-	-	-
Reported in Special Revenue Funds	79,504	65,565	16,058	14,917
Total Fund Balances	79,504	65,565	16,058	14,917
Total Liabilities, Deferred Inflows & Fund Balances	$ 85,604	$ 96,146	$ 18,058	$ 78,835

TITUS COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Radio Comm. Grant	County Clerk R&M	District Clerk R&M	District Attorney
ASSETS				
Cash and Cash Equivalents	$ -	$ 141,574	$ 11,688	$ 2,057
Receivables (Net)	-	-	-	-
Prepaid Items	-	-	-	-
Total Assets	$ -	$ 141,574	$ 11,688	$ 2,057
LIABILITIES				
Accounts Payable	$ -	$ -	$ -	$ -
Unearned Revenues	-	-	-	-
Total Liabilities	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes, Fines & Fees	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Capital Projects	-	-	-	-
Retirement of Long Term Debt	-	-	-	-
Reported in Special Revenue Funds	-	141,574	11,688	2,057
Total Fund Balances	-	141,574	11,688	2,057
Total Liabilities, Deferred Inflows & Fund Balances	$ -	$ 141,574	$ 11,688	$ 2,057

County Attorney	District Clerk RPF	Vehicle Inventory Tax	Family & Protective Services	Sheriff Seized	District Attorney Seized	District Attny Drug Forfieture	Sheriff Forfieture
$ 3,010	$ 14,563	$ 217,535	$ -	$ 22,219	$ 28,258	$ 516,842	$ 12,512
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 3,010	$ 14,563	$ 217,535	$ -	$ 22,219	$ 28,258	$ 516,842	$ 12,512
$ 3,005	$ -	$ 204,893	$ -	$ 22,219	$ 28,258	$ -	$ -
-	-	-	-	-	-	-	-
3,005	-	204,893	-	22,219	28,258	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5	14,563	12,642	-	-	-	516,842	12,512
5	14,563	12,642	-	-	-	516,842	12,512
$ 3,010	$ 14,563	$ 217,535	$ -	$ 22,219	$ 28,258	$ 516,842	$ 12,512

TITUS COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	Capital Murder Fund	State Criminal Alien Assist.	Sheriff Commissary	Juvenile Board
ASSETS				
Cash and Cash Equivalents	$ 24,000	$ 5,209	$ 28,824	$ (1,741)
Receivables (Net)	-	-	-	10,284
Prepaid Items	-	-	-	-
Total Assets	$ 24,000	$ 5,209	$ 28,824	$ 8,543
LIABILITIES				
Accounts Payable	$ -	$ -	$ 598	$ -
Unearned Revenues	-	-	-	-
Total Liabilities	-	-	598	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes, Fines & Fees	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Capital Projects	-	-	-	-
Retirement of Long Term Debt	-	-	-	-
Reported in Special Revenue Funds	24,000	5,209	28,226	8,543
Total Fund Balances	24,000	5,209	28,226	8,543
Total Liabilities, Deferred Inflows & Fund Balances	$ 24,000	$ 5,209	$ 28,824	$ 8,543

Pre-Trial Intervention	County & District Court Tech	Pre-Trial Class C Misdemeanor	Indigent Defense	Vital Statistics	County Clerk Archive	Justice Courthouse Security	FEMA Pct #3
$ 17,267	$ 7,434	$ 8,250	$ 1,333	$ 11,876	$ 62,037	$ 6,853	$ 18,670
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
$ 17,267	$ 7,434	$ 8,250	$ 1,333	$ 11,876	$ 62,037	$ 6,853	$ 18,670
$ 13,738	$ -	$ -	$ 956	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
13,738	-	-	956	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,529	7,434	8,250	377	11,876	62,037	6,853	18,670
3,529	7,434	8,250	377	11,876	62,037	6,853	18,670
$ 17,267	$ 7,434	$ 8,250	$ 1,333	$ 11,876	$ 62,037	$ 6,853	$ 18,670

TITUS COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	FEMA Pct #4	Pct #3 CERTZ Grant	FEMA Pct #1	FEMA Pct #2
ASSETS				
Cash and Cash Equivalents	$ 10,957	$ (1,065)	$ 1,433	$ (8,718)
Receivables (Net)	-	1,618	-	33,300
Prepaid Items	-	-	-	-
Total Assets	$ 10,957	$ 553	$ 1,433	$ 24,582
LIABILITIES				
Accounts Payable	$ -	$ 553	$ -	$ -
Unearned Revenues	-	-	-	-
Total Liabilities	-	553	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Taxes, Fines & Fees	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Capital Projects	-	-	-	-
Retirement of Long Term Debt	-	-	-	-
Reported in Special Revenue Funds	10,957	-	1,433	24,582
Total Fund Balances	10,957	-	1,433	24,582
Total Liabilities, Deferred Inflows & Fund Balances	$ 10,957	$ 553	$ 1,433	$ 24,582

Total Nonmajor Special Revenue Funds	2004 ROW I&S/ 2011 Series	2007 Loop Bond	Titus Co. Bell Tower	Loop Construction Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
$ 1,765,409	$ 133,360	$ 875,356	$ 5,275	$ 1,646,983	$ 2,660,974	$ 4,426,383
323,558	50,423	39,869	-	-	90,292	413,850
2,400	-	-	-	-	-	2,400
$ 2,091,367	$ 183,783	$ 915,225	$ 5,275	$ 1,646,983	$ 2,751,266	$ 4,842,633
$ 376,080	$ -	$ -	$ -	$ 1,205	$ 1,205	$ 377,285
54,764	-	-	-	-	-	54,764
430,844	-	-	-	1,205	1,205	432,049
274,396	50,423	39,869	-	-	90,292	364,688
274,396	50,423	39,869	-	-	90,292	364,688
-	-	-	5,275	1,645,778	1,651,053	1,651,053
-	133,360	875,356	-	-	1,008,716	1,008,716
1,386,127	-	-	-	-	-	1,386,127
1,386,127	133,360	875,356	5,275	1,645,778	2,659,769	4,045,896
$ 2,091,367	$ 183,783	$ 915,225	$ 5,275	$ 1,646,983	$ 2,751,266	$ 4,842,633

TITUS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Security Fees Fund	Jury Fund	Law Library	Road & Bridge #1
REVENUES:				
Taxes	$ -	$ 126,656	$ -	$ 333,417
Licenses and Permits	-	-	-	171,159
Intergovernmental Revenue and Grants	-	6,392	-	9,491
Charges for Services	13,487	6,317	14,734	-
Fines	-	-	-	-
Other Revenue	-	-	-	227
Total Revenues	13,487	139,365	14,734	514,294
EXPENDITURES:				
Current:				
Judicial	-	153,949	37,233	-
Legal	-	-	-	-
Financial	-	-	-	-
Public Safety	23,345	-	-	-
Health & Welfare	-	-	-	-
Highways, Streets, & Bridges	-	-	-	500,060
Cultural and Recreational	-	-	-	-
Miscellaneous	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Bond Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	23,345	153,949	37,233	500,060
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,858)	(14,584)	(22,499)	14,234
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	5,000	-
Other Resources	-	-	-	10,422
Transfers Out (Use)	-	-	-	(22,947)
Total Other Financing Sources (Uses)	-	-	5,000	(12,525)
Net Change in Fund Balance	(9,858)	(14,584)	(17,499)	1,709
Fund Balance - October 1 (Beginning)	89,362	80,149	33,557	13,208
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	$ 79,504	$ 65,565	$ 16,058	$ 14,917

Road & Bridge #2	Road & Bridge #3	Road & Bridge #4	Justice Court Tech. JP#1	Justice Court Tech JP#2	Park Fund	District Clerk Tech Fund	Victim of Crime
$ 333,523	$ 333,523	$ 333,454	$ -	$ -	$ -	$ -	$ -
171,159	171,159	171,159	-	-	-	-	-
9,491	9,491	9,491	-	-	-	-	-
-	-	-	6,563	2,701	15,345	2,414	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
514,173	514,173	514,104	6,563	2,701	15,345	2,414	-
-	-	-	-	2,890	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
459,977	506,746	464,684	-	-	-	-	-
-	-	-	-	-	23,811	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,957	-	-	-	-	-	-	-
475,934	506,746	464,684	-	2,890	23,811	-	-
38,239	7,427	49,420	6,563	(189)	(8,466)	2,414	-
-	-	-	-	-	10,000	-	-
5,134	-	-	-	-	-	-	-
(45,115)	(42,997)	(7,236)	-	-	-	-	-
(39,981)	(42,997)	(7,236)	-	-	10,000	-	-
(1,742)	(35,570)	42,184	6,563	(189)	1,534	2,414	-
23,553	87,021	90,322	25,788	19,668	7,857	6,821	-
-	-	-	-	-	-	-	-
$ 21,811	$ 51,451	$ 132,506	$ 32,351	$ 19,479	$ 9,391	$ 9,235	$ -

TITUS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Radio Comm. Grant	County Clerk R&M	District Clerk R&M	District Attorney
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	-	-	-
Charges for Services	-	50,250	2,674	-
Fines	-	-	-	-
Other Revenue	71,344	-	-	-
Total Revenues	71,344	50,250	2,674	-
EXPENDITURES:				
Current:				
Judicial	-	-	-	-
Legal	-	-	-	-
Financial	-	-	-	-
Public Safety	71,344	-	-	-
Health & Welfare	-	-	-	-
Highways, Streets, & Bridges	-	-	-	-
Cultural and Recreational	-	-	-	-
Miscellaneous	-	26,680	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Bond Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	71,344	26,680	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	23,570	2,674	-
OTHER FINANCING SOURCES (USES):				
Transfers In	-	-	-	-
Other Resources	-	-	-	-
Transfers Out (Use)	-	-	(808)	-
Total Other Financing Sources (Uses)	-	-	(808)	-
Net Change in Fund Balance	-	23,570	1,866	-
Fund Balance - October 1 (Beginning)	-	118,004	9,822	2,057
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	$ -	$ 141,574	$ 11,688	$ 2,057

County Attorney	District Clerk RPF	Vehicle Inventory Tax	Family & Protective Services	Sheriff Seized	District Attorney Seized	District Attny Drug Forfieture	Sheriff Forfieture
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	1,368	-	-	-	-
3,568	3,304	-	-	-	-	-	-
-	-	-	-	-	-	82,528	4,202
-	-	4,979	-	-	-	1,812	27
3,568	3,304	4,979	1,368	-	-	84,340	4,229
-	-	-	-	-	-	-	-
-	-	-	-	-	-	116,016	-
-	-	1,845	-	-	-	-	-
-	-	-	1,368	-	-	-	1,980
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,845	1,368	-	-	116,016	1,980
3,568	3,304	3,134	-	-	-	(31,676)	2,249
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(3,920)	-	-	-	-	-	-	-
(3,920)	-	-	-	-	-	-	-
(352)	3,304	3,134	-	-	-	(31,676)	2,249
357	11,259	9,508	-	-	-	548,518	10,263
-	-	-	-	-	-	-	-
$ 5	$ 14,563	$ 12,642	$ -	$ -	$ -	$ 516,842	$ 12,512

TITUS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Capital Murder Fund	State Criminal Alien Assist.	Sheriff Commissary	Juvenile Board
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	-	7,508	-	77,544
Charges for Services	-	-	-	-
Fines	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	-	7,508	-	77,544
EXPENDITURES:				
Current:				
Judicial	-	-	-	-
Legal	-	-	-	88,798
Financial	-	-	-	-
Public Safety	-	14,165	83,463	-
Health & Welfare	-	-	-	-
Highways, Streets, & Bridges	-	-	-	-
Cultural and Recreational	-	-	-	-
Miscellaneous	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Bond Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	-	14,165	83,463	88,798
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(6,657)	(83,463)	(11,254)
OTHER FINANCING SOURCES (USES):				
Transfers In	12,000	-	80,000	-
Other Resources	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	12,000	-	80,000	-
Net Change in Fund Balance	12,000	(6,657)	(3,463)	(11,254)
Fund Balance - October 1 (Beginning)	-	11,866	31,689	19,797
Prior Period Adjustment	12,000	-	-	-
Fund Balance - September 30 (Ending)	$ 24,000	$ 5,209	$ 28,226	$ 8,543

Pre-Trial Intervention	County & District Court Tech	Pre-Trial Class C Misdemeanor	Indigent Defense	Vital Statistics	County Clerk Archive	Justice Courthouse Security	FEMA Pct #3
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	91,204
24,880	2,338	8,250	-	2,960	47,771	2,313	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
24,880	2,338	8,250	-	2,960	47,771	2,313	91,204
-	-	-	2,522	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
914	-	-	-	-	-	-	-
-	-	-	-	-	-	-	102,935
-	-	-	-	-	-	-	-
-	1,656	-	-	680	27,836	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
914	1,656	-	2,522	680	27,836	-	102,935
23,966	682	8,250	(2,522)	2,280	19,935	2,313	(11,731)
-	-	-	-	-	-	-	30,401
-	-	-	-	-	-	-	-
(24,000)	-	-	-	-	-	-	-
(24,000)	-	-	-	-	-	-	30,401
(34)	682	8,250	(2,522)	2,280	19,935	2,313	18,670
3,563	6,752	-	2,899	9,596	42,102	4,540	-
-	-	-	-	-	-	-	-
$ 3,529	$ 7,434	$ 8,250	$ 377	$ 11,876	$ 62,037	$ 6,853	$ 18,670

TITUS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	FEMA Pct #4	Pct #3 CERTZ Grant	FEMA Pct #1	FEMA Pct #2
REVENUES:				
Taxes	$ -	$ -	$ -	$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue and Grants	21,707	113,367	23,405	37,800
Charges for Services	-	-	-	-
Fines	-	-	-	-
Other Revenue	-	-	-	-
Total Revenues	21,707	113,367	23,405	37,800
EXPENDITURES:				
Current:				
Judicial	-	-	-	-
Legal	-	-	-	-
Financial	-	-	-	-
Public Safety	-	-	-	-
Health & Welfare	-	-	-	-
Highways, Streets, & Bridges	17,986	125,963	29,774	50,400
Cultural and Recreational	-	-	-	-
Miscellaneous	-	-	-	-
Debt Service:				
Bond Principal	-	-	-	-
Bond Interest	-	-	-	-
Bond Fees	-	-	-	-
Capital Outlay:				
Capital Outlay	-	-	-	-
Total Expenditures	17,986	125,963	29,774	50,400
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,721	(12,596)	(6,369)	(12,600)
OTHER FINANCING SOURCES (USES):				
Transfers In	7,236	12,596	7,802	37,182
Other Resources	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	7,236	12,596	7,802	37,182
Net Change in Fund Balance	10,957	-	1,433	24,582
Fund Balance - October 1 (Beginning)	-	-	-	-
Prior Period Adjustment	-	-	-	-
Fund Balance - September 30 (Ending)	$ 10,957	$ -	$ 1,433	$ 24,582

Total Nonmajor Special Revenue Funds	2004 ROW I&S/ 2011 Series	2007 Loop Bond	Titus Co. Bell Tower	Loop Construction Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
$ 1,460,573	$ 268,425	$ 26,808	$ -	$ -	$ 295,233	$ 1,755,806
684,636	-	-	-	-	-	684,636
418,259	-	1,869,539	-	-	1,869,539	2,287,798
209,869	-	-	-	-	-	209,869
86,730	-	-	-	-	-	86,730
78,389	556	2,569	-	5,768	8,893	87,282
2,938,456	268,981	1,898,916	-	5,768	2,173,665	5,112,121
196,594	-	-	-	-	-	196,594
204,814	-	-	-	-	-	204,814
1,845	-	-	-	-	-	1,845
195,665	-	-	-	-	-	195,665
914	-	-	-	-	-	914
2,258,525	-	-	-	7,041	7,041	2,265,566
23,811	-	-	297	-	297	24,108
56,852	-	-	-	-	-	56,852
-	237,000	1,070,000	-	-	1,307,000	1,307,000
-	28,464	1,064,431	-	-	1,092,895	1,092,895
-	-	806	-	-	806	806
15,957	-	-	-	-	-	15,957
2,954,977	265,464	2,135,237	297	7,041	2,408,039	5,363,016
(16,521)	3,517	(236,321)	(297)	(1,273)	(234,374)	(250,895)
202,217	-	-	-	-	-	202,217
15,556	-	-	-	-	-	15,556
(147,023)	-	-	-	-	-	(147,023)
70,750	-	-	-	-	-	70,750
54,229	3,517	(236,321)	(297)	(1,273)	(234,374)	(180,145)
1,319,898	129,843	1,111,677	5,572	1,647,051	2,894,143	4,214,041
12,000	-	-	-	-	-	12,000
$ 1,386,127	$ 133,360	$ 875,356	$ 5,275	$ 1,645,778	$ 2,659,769	$ 4,045,896

INTERNAL SERVICE FUNDS

EXHIBIT H-1

TITUS COUNTY
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2016

	Maintenance Building	Insurance Fund	Total Internal Service Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 22,629	$ 625,092	$ 647,721
Accounts Receivable-Net of Uncollectible Allowance	-	54,444	54,444
Total Current Assets	22,629	679,536	702,165
Noncurrent Assets:			
Capital Assets:			
Land Purchase and Improvements	79,790	-	79,790
Buildings	151,858	-	151,858
Accumulated Depreciation - Buildings	(76,553)	-	(76,553)
Improvements other than Buildings	4,994	-	4,994
Accumulated Depreciation - Other Improvements	(4,994)	-	(4,994)
Machinery and Equipment	118,603	-	118,603
Accumulated Depreciation - Machinery & Equipment	(118,603)	-	(118,603)
Total Noncurrent Assets	155,095	-	155,095
Total Assets	177,724	679,536	857,260
LIABILITIES			
Current Liabilities:			
Accounts Payable	4,437	108,938	113,375
Total Liabilities	4,437	108,938	113,375
NET POSITION			
Unrestricted Net Position	173,287	570,598	743,885
Total Net Position	$ 173,287	$ 570,598	$ 743,885

EXHIBIT H-2

TITUS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Maintenance Building	Insurance Fund	Total Internal Service Funds
OPERATING REVENUES:			
Charges for Services	$ 49,618	$ 1,727,809	$ 1,777,427
Total Operating Revenues	49,618	1,727,809	1,777,427
OPERATING EXPENSES:			
Highways, streets, and bridges	182,139	-	182,139
Insurance coverage and medical claims	-	1,738,499	1,738,499
Depreciation	3,035	-	3,035
Total Operating Expenses	185,174	1,738,499	1,923,673
Income (Loss) Before Transfers	(135,556)	(10,690)	(146,246)
Non-Operating Transfer In	145,000	-	145,000
Change in Net Position	9,444	(10,690)	(1,246)
Total Net Position - October 1 (Beginning)	163,843	581,288	745,131
Total Net Position - September 30 (Ending)	$ 173,287	$ 570,598	$ 743,885

EXHIBIT H-3

TITUS COUNTY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Maintenance Building	Insurance Fund	Total Internal Service Funds
Cash Flows from Operating Activities:			
Cash Received from User Charges	$ 49,618	$ 337,851	$ 387,469
Cash Received from Assessments - Other Funds	-	1,407,143	1,407,143
Cash Payments for Payroll and Benefits	(121,390)	-	(121,390)
Cash Payments for Insurance Claims	-	(1,771,010)	(1,771,010)
Cash Payments for Suppliers	(60,699)	-	(60,699)
Net Cash Provided by (Used for) Operating Activities	(132,471)	(26,016)	(158,487)
Cash Flows from Non-Capital Financing Activities:			
Operating Transfers In/(Out)	145,000	-	145,000
Cash Flows from Capital & Related Financing Activities:			
Acquisition of Capital Assets	-	-	-
Cash Flows from Investing Activities:			
Purchase of Investment Securities	-	-	-
Net Increase(Decrease) in Cash and Cash Equivalents	12,529	(26,016)	(13,487)
Cash and Cash Equivalents at Beginning of the Year:	10,100	651,108	661,208
Cash and Cash Equivalents at the End of the Year:	$ 22,629	$ 625,092	$ 647,721
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:			
Operating Income (Loss):	$ (135,556)	$ (10,690)	$ (146,246)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	3,035	-	3,035
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Inventory	-	17,185	17,185
Increase (decrease) in Accounts Payable	50	(32,511)	(32,461)
Net Cash Provided by (Used for) Operating Activities	$ (132,471)	$ (26,016)	$ (158,487)

ENTERPRISE FUNDS

EXHIBIT I-1

TITUS COUNTY
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2016

	Commissary Store	Election Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 19,526	$ 179,688	$ 199,214
Inventories	4,676	-	4,676
Prepaid Items	-	269	269
Total Current Assets	24,202	179,957	204,159
Noncurrent Assets:			
Capital Assets:			
Machinery and Equipment	1,486	331,168	332,654
Accumulated Depreciation - Machinery & Equipment	(1,486)	(331,165)	(332,651)
Total Noncurrent Assets	-	3	3
Total Assets	24,202	179,960	204,162
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	1,888	1,888
Total Liabilities	-	1,888	1,888
NET POSITION			
Unrestricted Net Position	24,202	178,072	202,274
Total Net Position	$ 24,202	$ 178,072	$ 202,274

EXHIBIT I-2

TITUS COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Commissary Store	Election Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Charges for Services	$ 157,275	$ 41,149	$ 198,424
Other Revenue	72	-	72
Total Operating Revenues	157,347	41,149	198,496
OPERATING EXPENSES:			
Public safety	80,690	-	80,690
Elections	-	202,103	202,103
Total Operating Expenses	80,690	202,103	282,793
Income (Loss) Before Transfers	76,657	(160,954)	(84,297)
Non-Operating Transfer In	-	200,000	200,000
Transfers Out	(80,000)	-	(80,000)
Change in Net Position	(3,343)	39,046	35,703
Total Net Position - October 1 (Beginning)	27,545	139,026	166,571
Total Net Position - September 30 (Ending)	$ 24,202	$ 178,072	$ 202,274

EXHIBIT I-3

TITUS COUNTY
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Commissary Store	Election Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities:			
Cash Received from User Charges	$ 157,347	$ 41,149	$ 198,496
Cash Payments for Payroll and Benefits	-	(139,711)	(139,711)
Cash Payments for Suppliers	(80,890)	(80,380)	(161,270)
Cash Payments for Other Operating Expenses	-	-	-
Net Cash Provided by (Used for) Operating Activities	76,457	(178,942)	(102,485)
Cash Flows from Non-Capital Financing Activities:			
Operating Transfers In/(Out)	(80,000)	200,000	120,000
Cash Flows from Capital & Related Financing Activities:			
Acquisition of Capital Assets	-	-	-
Cash Flows from Investing Activities:			
Purchase of Investment Securities	-	-	-
Net Increase(Decrease) in Cash and Cash Equivalents	(3,543)	21,058	17,515
Cash and Cash Equivalents at Beginning of the Year:	23,069	158,630	181,699
Cash and Cash Equivalents at the End of the Year:	$ 19,526	$ 179,688	$ 199,214
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:			
Operating Income (Loss):	$ 76,657	$ (160,954)	$ (84,297)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	-	-	-
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Inventory	(200)	-	(200)
Increase (decrease) in Accounts Payable	-	(17,988)	(17,988)
Net Cash Provided by (Used for) Operating Activities	$ 76,457	$ (178,942)	$ (102,485)

SUPPLEMENTAL INFORMATION

Exhibit J-1

Titus County, Texas
BUDGETARY COMPARISON SCHEDULE
2007 Loop Debt Service Fund
for the year ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or
	Original	Final	GAAP Basis	(Negative)
REVENUES				
Taxes	25,000	25,000	26,808	1,808
Intergovernmental	2,107,750	2,107,750	1,869,539	(238,211)
Miscellaneous	4,000	4,000	2,569	(1,431)
Total revenues	2,136,750	2,136,750	1,898,916	(237,834)
EXPENDITURES				
Debt service-principal	1,070,000	1,070,000	1,070,000	-
Debt service-interest	1,064,432	1,064,432	1,064,431	1
Bond fees	1,000	1,000	806	194
Total expenditures	2,135,432	2,135,432	2,135,237	195
Excess of revenues over (under) expenditures	1,318	1,318	(236,321)	(237,639)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other sources (uses)	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	1,318	1,318	(236,321)	(237,639)
FUND BALANCE				
Beginning of year	1,111,677	1,111,677	1,111,677	-
End of year	1,112,995	1,112,995	875,356	(237,639)

Titus County, Texas
BUDGETARY COMPARISON SCHEDULE
2009 Bond Debt Service Fund
for the year ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or
	Original	Final	GAAP Basis	(Negative)
REVENUES				
Taxes	890,000	890,000	899,390	9,390
Intergovernmental	2,107,750	2,107,750	1,903,546	(204,204)
Miscellaneous	4,000	4,000	2,897	(1,103)
Total revenues	3,001,750	3,001,750	2,805,833	(195,917)
EXPENDITURES				
Debt service-principal	1,425,000	1,425,000	1,425,000	-
Debt service-interest	1,564,739	1,564,739	1,564,738	1
Bond fees	1,000	1,000	806	194
Total expenditures	2,990,739	2,990,739	2,990,544	195
Excess of revenues over (under) expenditures	11,011	11,011	(184,711)	(195,722)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other sources (uses)	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	11,011	11,011	(184,711)	(195,722)
FUND BALANCE				
Beginning of year	958,349	958,349	958,349	-
End of year	969,360	969,360	773,638	(195,722)

Titus County, Texas
BUDGETARY COMPARISON SCHEDULE
2011 Bond Debt Service Fund
for the year ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or
	Original	Final	GAAP Basis	(Negative)
REVENUES				
Taxes	266,000	266,000	268,425	2,425
Miscellaneous	500	500	556	56
Total revenues	266,500	266,500	268,981	2,481
EXPENDITURES				
Debt service-principal	237,000	237,000	237,000	-
Debt service-interest	28,464	28,464	28,464	-
Bond fees	900	900	-	900
Total expenditures	266,364	266,364	265,464	900
Excess of revenues over (under) expenditures	136	136	3,517	(3,381)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other sources (uses)	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	136	136	3,517	3,381
FUND BALANCE				
Beginning of year	129,843	129,843	129,843	-
End of year	129,979	129,979	133,360	3,381

Titus County, Texas
BUDGETARY COMPARISON SCHEDULE
2012-A Bond Debt Service Fund
for the year ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or
	Original	Final	GAAP Basis	(Negative)
REVENUES				
Taxes	210,000	210,000	213,889	3,889
Intergovernmental	2,107,750	2,107,750	1,869,545	(238,205)
Miscellaneous	2,000	2,000	3,462	1,462
Total revenues	2,319,750	2,319,750	2,086,896	(232,854)
EXPENDITURES				
Debt service-principal	585,000	585,000	585,000	-
Debt service-interest	1,735,175	1,735,175	1,735,175	-
Bond fees	1,000	1,000	806	194
Total expenditures	2,321,175	2,321,175	2,320,981	194
Excess of revenues over (under) expenditures	(1,425)	(1,425)	(234,085)	(232,660)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other sources (uses)	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(1,425)	(1,425)	(234,085)	(232,660)
FUND BALANCE				
Beginning of year	996,133	996,133	996,133	-
End of year	994,708	994,708	762,048	(232,660)

Titus County, Texas
BUDGETARY COMPARISON SCHEDULE
2012-B Bond Debt Service Fund
for the year ended September 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive or
	Original	Final	GAAP Basis	(Negative)
REVENUES				
Taxes	1,109,000	1,109,000	1,117,695	8,695
Intergovernmental	2,107,750	2,107,750	1,869,545	(238,205)
Miscellaneous	2,000	2,000	2,501	501
Total revenues	3,218,750	3,218,750	2,989,741	(229,009)
EXPENDITURES				
Debt service-principal	1,565,000	1,565,000	1,565,000	-
Debt service-interest	1,652,939	1,652,939	1,652,938	1
Bond fees	1,000	1,000	806	194
Total expenditures	3,218,939	3,218,939	3,218,744	195
Excess of revenues over (under) expenditures	(189)	(189)	(229,003)	(228,814)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other sources (uses)	-	-	-	-
Excess of revenues and other sources over (under) expenditures and other uses	(189)	(189)	(229,003)	(228,814)
FUND BALANCE				
Beginning of year	814,942	814,942	814,942	-
End of year	814,753	814,753	585,939	(228,814)

INTERNAL CONTROL SECTION

AWA

ARNOLD, WALKER, ARNOLD, & CO., P.C.

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

The Honorable Judge and
County Commissioners
Titus County, Texas
Mount Pleasant, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Titus County, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 30, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 16-1 and 16-2 that we consider to be a significant deficiency.

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*.

Titus County's Response to Findings

Titus County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Titus County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Arnold, Walker, Arnold & Co., P.C.

Arnold, Walker, Arnold & Co., P.C.

December 30, 2016

Titus County, Texas
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended September 30, 2016

I. Summary of the Auditor's Results:

The type of report issued on the financial statements of the County of Titus, Texas was an unmodified opinion.

a. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. See II below, no material weaknesses.
b. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
c. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. N/A
d. The type of report the auditor issued on compliance for major programs. N/A
e. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section ___.510(a). These include: N/A
f. An identification of major programs: N/A
g. The dollar threshold used to distinguish between Type A and Type B programs. N/A
h. A statement as to whether the auditee qualified as a low-risk auditee. N/A

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

2016-1 DISTRICT CLERK

Criteria- Internal controls would call for reconciling the bank balance and the subsidiary ledger monthly. Also, internal controls would call for entering receipts in the computer when they are received. Cross-training is needed so that all accounting processes are accomplished timely.

Deficiency and Context- The District Clerk's "main bank account" is still not being reconciled monthly to the subledger that should support the balance. This subledger is much smaller now than in previous years. This subledger is manually kept and has not been entered on the computer yet. In addition, receipts are not always entered into the computer when received. Hand written cash receipts are issued in many cases and then these are entered into the computer later. Cross-training is needed in the office so that all accounting processes can be done when personnel are absent from duty.

Effect- For a long period of time, the exact composition of the bank balance has not been known because it has not been reconciled with the subsidiary ledger. On the receipts, it would be possible that the hand written receipt not be posted against a receivable in the computer. Accounting processes might not be accomplished when personnel are absent from duty.

Cause- There have been a lot of old cases not listed in the ledger but the money was in the bank account. The subsidiary ledger has been really cumbersome to work with. Regarding the receipts, sometimes clerks find it easier to just quickly issue a hand written receipt.

Recommendation- The District Clerk should continue to try and close out old cases and continue to investigate the composition of the bank account so that the bank account agrees to a subsidiary ledger. All receipts should be entered on the as received rather than hand written receipts. Cross-training is needed in the office so that all accounting processes can be done when personnel are absent from duty.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*. (cont'd)

2016-2 TAX OFFICE

Criteria- Internal controls call for all reconciled bank balances for tax office accounts that are not cleared to zero be supported by a subsidiary ledger that gives detail of the composition of the balance and where the reconciled balance of the account should be zero, then the accounts need to be cleared as soon as possible.

Deficiency and Context- The property tax collection account still has a balance in it that has not been cleared to zero. This amount has been decreased significantly in this year but an amount still remains. This needs to be reconciled and cleared.

Effect- There is money in this account that is owed to other parties that must be paid out.

Cause- There are either refunds that have not been paid back to taxpayers or there is money that has not been paid out to the County or the delinquent tax attorney. There is no subsidiary ledger available that supports the uncleared balance.

Recommendation-The tax office needs to determine who these remaining funds need to be paid to and clear the account.

III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above

NONE

Titus County, Texas
SCHEDULE OF STATUS OF PRIOR FINDINGS
For the year ended September 30, 2016

15-1 District Clerk--The District Clerk's "main bank account" is still not balanced to the subledger that gives the composition of the balance. However this subledger has been substantially decreased as many cases have been cleared out.

15-2 Tax Office--The majority of these funds have now been cleared to the County. However, there is still a remaining amount that needs to be reconciled and cleared out.

Titus County, Texas
CORRECTIVE ACTION PLAN
For the year ended September 30, 2016

VIEWS AND PLANNED CORRECTIVE ACTIONS

16-1 The District Clerk agrees that these areas need improvement. The subledger for the "main bank account" will be reconciled to the bank balance in the near future. Old cases continue to be closed out. The account balance continues to be steadily paid out. Also, receipts will be entered into the computer upon receipt rather than hand writing some receipts. More cross-training on the computer will be accomplished. The District Clerk will continue to address these areas.

16-2 The Tax Office will finish reconciling the account and get the rest of the money paid out to the proper parties.