

**MATAGORDA COUNTY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
FOR THE YEAR ENDED DECEMBER 31, 2016



Matagorda County  
 Comprehensive Annual Financial Report  
 For The Year Ended December 31, 2016

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## Introductory Section





**KRISTEN E. KUBECKA**  
**COUNTY AUDITOR**  
MATAGORDA COUNTY  
1700 SEVENTH STREET, ROOM 326  
BAY CITY, TEXAS 77414-5095  
(409) 244-7611

Honorable District Judges of Matagorda County and  
Honorable Members of the Matagorda County Commissioners Court:

Chapter 114.025 and chapter 115.045 of the Local Government Code of the State of Texas requires the issuance within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a licensed certified public accountant. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Matagorda County for the fiscal year ended December 31, 2016.

This report consists of management's representations concerning the finances of Matagorda County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Matagorda County's financial statements in conformity with GAAP. The County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement because the cost of internal controls should not outweigh their benefits. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Matagorda County's financial statements have been audited by Harry Afadapa & Associates, PC, certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the year ended December 31, 2016, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements for the fiscal year ended December 31, 2016, are presented in conformity with GAAP. The independent auditor's report is presented as the first item in the financial section of this report.

The independent audit of the financial statements of Matagorda County was part of the broader, federally mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are included in the Single Audit section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Matagorda County's MD&A can be found immediately following the report of the independent auditors. The financial section also includes government-wide financial statements, fund financial statements, notes, required supplementary information and the combining and individual fund financial statements and schedules. The statistical section of the report includes selected financial and demographic information, which is generally presented on a multi-year basis.

## **PROFILE OF MATAGORDA COUNTY**

The County of Matagorda, created in 1836 is rich in history and tradition. The County is located between Galveston and Corpus Christi along the Gulf Coast and enjoys a diversity of geography from its wide expanse of prairies to the many creeks, rivers, lakes, bays and Gulf of Mexico. Matagorda County occupies an area of 1,115 square miles and serves an estimated population of 36,702. The County is a political subdivision of the State of Texas. Neighboring counties are Brazoria, Wharton and Jackson.

The County operates as specified under the Constitution of the State of Texas and Vernon's Texas Code Annotated, which provide for a Commissioners Court consisting of the County Judge and four County Commissioners, one from each of four geographical precincts. The Commissioners Court is the governing body of the County. The County Judge is elected at large to serve a four-year term and the Commissioners serve four-year staggered terms, two members elected every two years.

The Commissioners Court has certain powers granted to it by the state legislature. Its duties include adoption of the budget, setting of the tax rates, approval of contracts, appointment of certain county officials and the development of policies and orders. The Commissioners Court shares the financial controls of the County with the County Auditor who is appointed according to Texas State statutes for two year terms by the District Judges. The County Auditor holds the basic responsibilities for establishing accounting policies and procedures, maintaining the records of all financial transactions of the County, and "examining and approving" disbursements from county funds prior to their submission to the Commissioners Court for payment.

Matagorda County provides many services not ordinarily provided by any other entity of government and provides additional services in cooperation with other local governmental units. These include volunteer fire departments, libraries and the museum. A primary service is the administration of justice, which includes the county and district courts, justices of the peace, constables, district attorney, clerks of the courts, sheriff, jail, and bailiffs. Other functions performed by the County include juvenile services, maintaining public health and welfare and the construction and maintenance of roads and bridges.

## **BUDGET**

The annual budget serves as the foundation for the County's planning and control. Budgetary control is maintained at the subtotal level of the County budget for the following categories: Personnel, Operating Costs, Capital Outlay and Debt. Expenditures for current operating funds may not exceed available cash balances in such funds at January 1, plus the estimate of revenues for the ensuing year. At any time during the year, Commissioners Court may increase the budget for unexpected revenues, expenditures, or actual beginning fund balances in excess of budgeted estimates, provided that Commissioners Court declares the existence of an emergency necessitating the increase. All annual budget appropriations lapse at year end with the exception of the commissioner's budgets. Prior to year end, the commissioners commit a portion of unrestricted General Fund balance for the unspent portion of their precinct budgets. The County also maintains an encumbrance accounting system for the general fund as one method of maintaining budgetary control. Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted.



## **LONG TERM FINANCIAL PLANNING**

The long term financial plans of the county consist of continued infrastructure improvement for roads and bridges and efforts to explore avenues for enhanced economic growth. The commissioners' court adopted an updated tax abatement policy to aid in negotiations with potential industrial clients and to continue to attract growth for Matagorda County.

Additional appropriations for courthouse maintenance and repairs were approved to preserve our capital assets to ensure they reach their potential life expectancy.

## **LOCAL ECONOMY**

An understanding of the financial condition of Matagorda County is enhanced through a perspective of the environment in which the County operates. Matagorda County's primary economic bases include utilities, petrochemical processing, transmission, agriculture, commercial fishing and tourism. Matagorda County has outstanding opportunities for industry growth because of its location and proximity to the Gulf of Mexico, the Colorado River and the Gulf Intercoastal Canal waterway as well as rail accessibility.

For several years, Matagorda County has partnered with the South Texas Project Nuclear Operating Company (STP) in providing Emergency Preparedness Training and Operations Drills for the safety of its citizens. This contract is not only financially favorable to the County, but has also provided invaluable emergency preparedness skills and a network of cooperation between the County leaders and departments and its industry neighbors. Through a joint partnership with the South Texas Project and Wharton County Junior College, the South Texas Center for Energy Development continues to serve as a career center for staffing at STP and also offers classes focusing on process-technology and power-technology programs to train students for work at chemical, industrial and nuclear plants.

Matagorda Regional Medical Center (MRMC) serves the community at its 117,000 square-foot facility located on 45 acres of land on Texas 35 west. This two-story acute care hospital has 58 patient rooms, offers expanded services, and attractive and comfortable patient and visitor areas. A 40,000 square foot medical office building on the MRMC campus provides a two-story Diagnostic Center for outpatient testing as well as physician clinic space.

The economic outlook for Matagorda County remains positive for the future. Tenaris continues construction of a seamless steel pipe manufacturing plant that will have an approximate value of \$1.8 billion. This plant will bring 600 jobs to the county and is expected to be operational in 2017. Dunn Heat Exchanger is now fully operational. This plant cleans, decontaminates, repairs, and fabricates heat exchangers and has brought new employment opportunities to the County. Construction continues on multiple new hotels in Bay City. The County hopes that with these additions more business opportunities will follow. The South Texas Project Nuclear Operating Company continues toward its plans to build two additional units at the site in the near future. Although the expansion has been delayed while the industry recovers from the aftermath of the nuclear disaster in Japan, the preparation continues. The future construction would bring temporary jobs to the community and upon completion provide approximately 1,000 permanent jobs to Matagorda County. Tourism continues to grow as Matagorda's coastline is developed and discovered by those who enjoy fishing, beach and river activities or just relaxing.

## **FINANCIAL POLICIES**

The County has adopted an investment policy as required by state law and in conformity with state investment statutes. The investment policy as adopted by the County employs the prudent person concept in that priorities were established as to the investment vehicles the County would use. Compliance with the laws of the State of Texas and Safety were established as first priorities, followed by liquidity, low risk and diversification with an active versus passive management philosophy maintaining high professional and ethical standards. The County Treasurer is responsible for administering all of the investment of idle funds in the County. For the last

several years, the County's depository has provided better interest rates than comparable liquid investments. During the fiscal year, the County earned approximately \$0.17 million interest on the funds invested.

In 2011 the County established a Fund Balance Policy in accordance with Governmental Accounting Standards Board Statement 54, adopting new classifications of fund balance, the method for committing fund balance and setting the order in which resources will be expended.

The County is responsible for establishing its tax rate. For the fiscal year ended December 31, 2016, the tax rate to finance general governmental services was \$0.39568 per \$100 valuation and the tax rate for the payment of principal and interest on long-term debt was \$0.00680 per \$100 of valuation.

In addition, the County also has the following financial policies:

- The Commissioners Court of the County shall formally adopt the annual budget prepared by the Budget Officer, members of the Commissioners' court and the County Auditor.
- Expenditures are controlled not to exceed available resources. All elected officials and department heads are required to keep expenditures within allocated budgets.
- Balanced financial operations will be maintained. Adequate internal accounting controls are developed and maintained to safeguard assets and provide reasonable assurance of proper recording of financial transactions.
- The County continues its effort on the replacement and upgrade of software when needed and it has provided funding when possible.
- Delivery of service to the constituents.
- Restrain the debt issuance to keep the tax rate low.

## **AWARDS AND ACKNOWLEDGMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Matagorda County for its comprehensive annual financial report for the fiscal year ended December 31, 2015. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County has received a Certificate of Achievement for the last 13 consecutive years. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would like to express my appreciation to members of the Commissioners' Court and to the District Judges for their interest and support in planning and conducting the financial operations of the County in a responsible and professional manner. The timely completion of this report could not have been achieved without the dedicated efforts of the entire staff of the Office of County Auditor and the professional services provided by our independent Auditor, Harry Afadapa & Associates, P.C.

Respectfully submitted,



Kristen Kubecka, County Auditor  
Matagorda County, Texas  
June 26, 2016



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Matagorda County  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

Executive Director/CEO

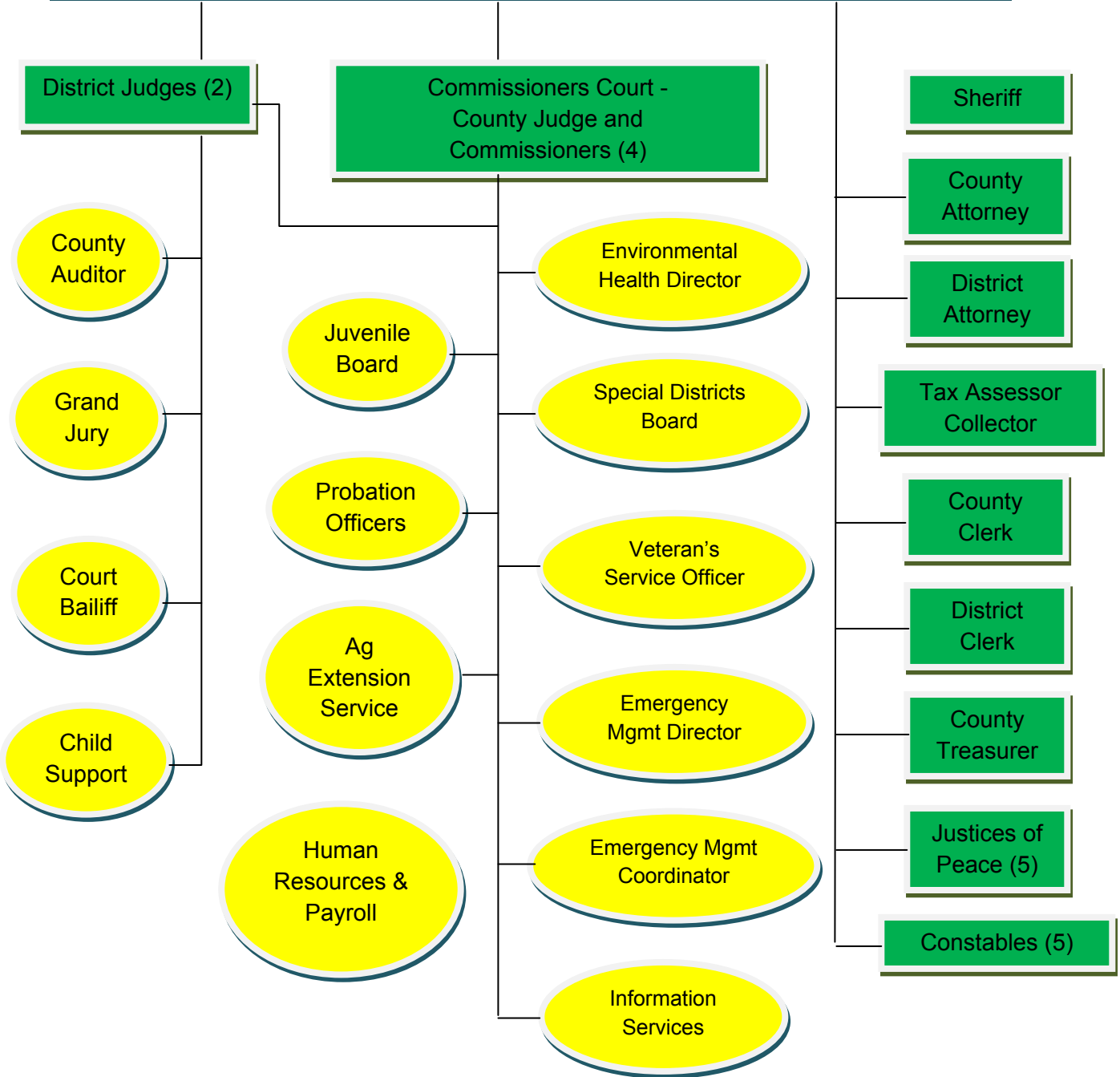


# MATAGORDA COUNTY Organization Chart

Elected Officials

Appointed  
Officials

Matagorda County Voters



**MATAGORDA COUNTY**

*LIST OF ELECTED AND APPOINTED OFFICIAL*

*DECEMBER 31, 2016*

Elected Officials

Judge, 23 <sup>rd</sup> Judicial District	Ben Hardin
Judge, 130 <sup>th</sup> Judicial District	Craig Estlinbaum
County Judge	Nate McDonald
Commissioner, Precinct #1	Gary Graham
Commissioner, Precinct #2	Kent Pollard
Commissioner, Precinct #3	James Gibson
Commissioner, Precinct #4	Charles Frick
County Sheriff	Frank Osborne
County Attorney	Denise Fortenberry
District Attorney	Steven Reis
County Tax Collector	Cristyn Hallmark
County Clerk	Janet Hickl
District Clerk	Jamie Grantz
County Treasurer	Tammy McDonald
Justice of Peace, Precinct #1	William Pendergraft
Justice of Peace, Precinct #2	Suzan Thompson
Justice of Peace, Precinct #3	Amy Tapia
Justice of Peace, Precinct #4	Mark Finlay
Justice of Peace, Precinct #6	Ray Taggart
Constable, Precinct #1	Precious Smith
Constable, Precinct #2	Frank Craft
Constable, Precinct #3	Pat Jewell
Constable, Precinct #4	Pete Medina
Constable, Precinct #6	Tom Ward

Appointed Officials

County Auditor	Kristen Kubecka
Court Bailiff	Bill Orton
Child Support	Marlene Wells
Ag Extension Agent	Brent Batchelor
Environmental Health Director	Lisa Krobot
Veterans Service Officer	Jason Sanders
Emergency Management Director	Nate McDonald
Emergency Management Coordinator	Doug Matthes
Information Services	Chris Peikert
Human Resources & Payroll Director	Carmen Andrews

## Financial Section





# Harry Afadapa & Associates, P.C.

Certified Public Accountants  
2300 Avenue I  
Bay City, Texas 77414  
(979) 245-7361 ~ www.afadapa.com

## **Independent Auditor's Report**

To the To the Commissioners  
Matagorda County  
1700 Seventh Street  
Bay City, Texas 77414

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Matagorda County ("the County") as of and for the year ended December 31, 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 of material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Matagorda County as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the County's proportionate share of the net pension liability and schedule of County pension contributions identified as Required Supplementary Information in the table of contents 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 Matagorda County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Subpart F-- Audit Requirements (Uniform Guidance) and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017 on our consideration of Matagorda 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 Matagorda County's internal control over financial reporting and compliance.

Respectfully submitted,

Harry Afadapa & Associates, PC

Bay City, Texas  
June 26, 2017



## MATAGORDA COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

This discussion and analysis of Matagorda County's financial performance provides a narrative overview of the County's financial activities for the fiscal year ended December 31, 2016. The information presented here should be read in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of Matagorda County's finances in a manner similar to private sector business. They present the financial picture of the County from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

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

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

Both of the government-wide statements distinguish between functions of Matagorda County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business activities). The governmental activities of the County include general government, justice, public safety, corrections and rehabilitation, health and human services, community and economic development, and infrastructure and environmental services.

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

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

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

# MATAGORDA COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

The County maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund. Data from the other fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

**Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund (a type of proprietary fund) is used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-funded health insurance program. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

**Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County uses agency funds to account for various assets held for the benefit of others.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes disclose other pertinent information that, when taken in whole with the financial statements, provide a more detailed picture of the state of the finances of the County.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. The combining statements and individual fund budgetary comparison schedules are presented immediately following the required supplementary information.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

The County's net position for the years ending December 31, 2016 and 2015 are summarized as follows:

#### MATAGORDA COUNTY'S NET POSITION

	2016	2015	Variance
Current and other assets	\$ 39,481,850	\$ 38,760,258	\$ 721,592
Capital Assets	23,804,822	24,617,256	(812,434)
Total assets	<u>63,286,672</u>	<u>63,377,514</u>	<u>(90,842)</u>
Total deferred outflow of resources	<u>4,998,873</u>	<u>2,162,857</u>	<u>2,836,016</u>
Current and other liabilities	4,196,010	2,671,100	1,524,910
Long-term liabilities	20,705,654	17,222,206	3,483,448
Total liabilities	<u>24,901,664</u>	<u>19,893,306</u>	<u>5,008,358</u>
Total deferred inflow of resources	<u>18,639,108</u>	<u>16,885,835</u>	<u>1,753,273</u>
Net investment in capital assets	20,110,391	23,077,392	(2,967,001)
Restricted for debt service	24,040	21,643	2,397
Restricted for construction	1,450,337	2,714,092	(1,263,755)
Restricted for legislative purposes	918,876	711,765	207,111
Unrestricted	2,241,129	2,236,338	4,791
Total net position	<u>\$ 24,744,773</u>	<u>\$ 28,761,230</u>	<u>\$ (4,016,457)</u>

# MATAGORDA COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

Current assets increased by \$721,592 resulting from a combination of increases and decreases. Investments category increased over \$3.8 million. Taxes receivable increased over \$900 thousand due in part to delinquent unpaid taxes from Tres Palacios Gas Storage, LLC pending results of a property valuation lawsuit as well as an increase in the tax rate. Other receivable, however, decreased by over \$700 thousand. Cash and cash equivalents decreased over \$2.6 million and prepaid decreased over \$500 thousand.

Deferred outflow of resources increased by over \$2.8 million to account for the increase in Pension liabilities under GASB 68 "Accounting and Financial Reporting of Pension". Noncurrent liabilities increased overall by \$3,483,448 of which over \$1.1 million pertains to GASB 45 and \$2.9 million represents the continued implementation of GASB 68.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Matagorda County, assets exceeded liabilities by \$24,744,773 at the close of the most recent fiscal year with a positive balance in all categories. Eighty-one percent (81%) of the County's net position, \$20,110,391, reflects its net investment in capital assets. The County uses capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's changes in net position for the years ended December 31, 2016 and 2015 are as follows:

### MATAGORDA COUNTY'S CHANGES IN NET POSITION

	<u>12/31/2016</u>	<u>12/31/2015</u>	<u>Variance</u>
Revenues:			
Program revenues:			
Fees, fines and charges for services	\$ 5,303,071	\$ 7,513,364	\$ (2,210,293)
Operating grants and contributions	1,065,975	1,225,197	(159,222)
Capital Grants and Contributions	7,100,204	8,441,394	(1,341,190)
General revenues:			
Property taxes	16,392,558	15,272,676	1,119,882
Miscellaneous	144,532	46,471	98,061
Unrestricted investment earnings	173,033	167,131	5,902
Total revenues	<u>30,179,373</u>	<u>32,666,233</u>	<u>(2,486,860)</u>
Expenses:			
General government	4,594,032	4,140,190	453,842
Justice system	4,008,884	3,837,068	171,816
Public safety	4,404,045	4,014,643	389,402
Corrections & rehabilitation	2,692,576	2,417,196	275,380
Health and human services	1,450,050	1,411,815	38,235
Community & economic development	1,210,022	1,303,273	(93,251)
Infrastructure and environmental svcs.	8,580,302	6,850,164	1,730,138
Intergovernmental	7,130,930	1,620,146	5,510,784
Interest on debt	124,987	154,903	(29,916)
Total expenses	<u>34,195,828</u>	<u>25,749,398</u>	<u>8,446,430</u>
Increase (decrease) in net position	(4,016,455)	6,916,835	(10,933,290)
Net position - beginning	28,761,230	21,844,395	6,916,835
Net position - ending	<u>\$ 24,744,775</u>	<u>\$ 28,761,230</u>	<u>\$ (4,016,455)</u>

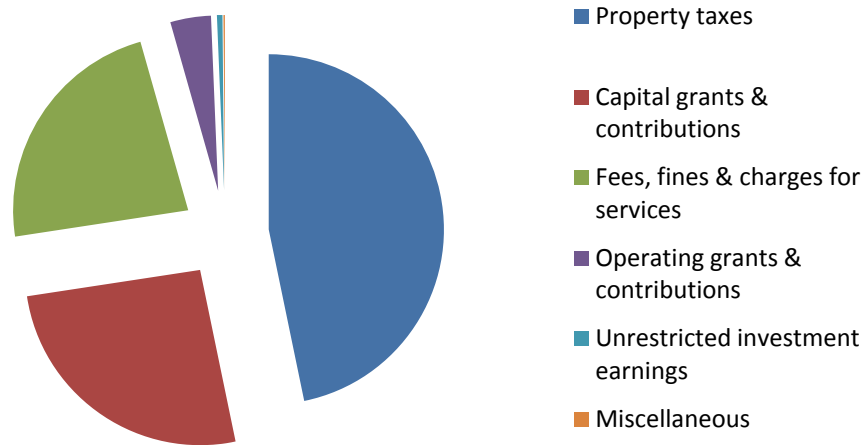
# MATAGORDA COUNTY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

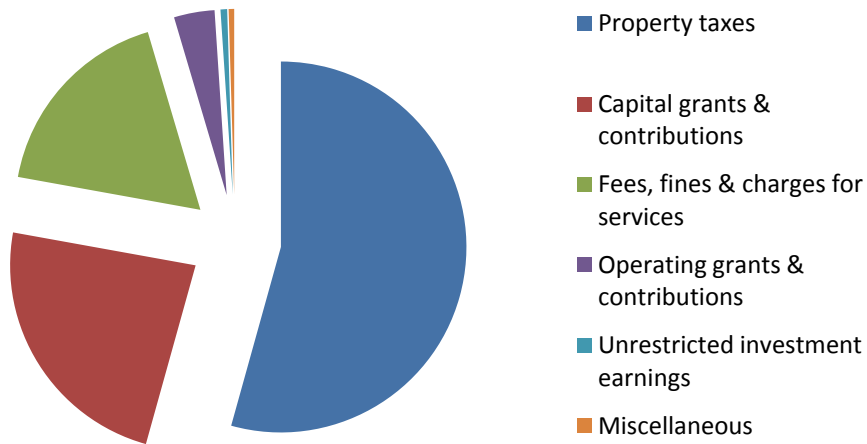
Governmental activities decreased the County's net position by \$4,016,455 compared to a prior year increase of \$6,916,835. The following are some of the more significant factors contributing to the decrease net change in position:

- Charges for various services decreased by \$2,210,293; primarily due to a \$549,146 decrease in Emergency Response Fee and an estimated \$800,000 decrease in court fines and fees.
- Property taxes increased by \$1,119,882, however due to a refund in the amount of \$357,785 pertaining to the Tres Palacios Gas Tax Lawsuit a larger increase was not incurred.
- Capital grants and contributions decreased overall as a result of the conclusion of Community Development Block Grant funds for the \$4.6 million Sargent Road Hardening project, \$1.4 million for Hawkins Stevens Road project, and \$376,747 Palacios Sewer Improvement project coupled with a \$5.5 million dollar increase in pass-through grants to sub recipients.
- As a result of the increase in intergovernmental pass-through grants to sub recipients noted above, the related intergovernmental function costs increased.
- Infrastructure and environmental service costs were up due in large part to depreciation expense. The prior year over \$7.7 million of new assets were depreciated for a partial year, whereas 2016 recognized a full year of depreciation.

### 2015 Revenue Percentages

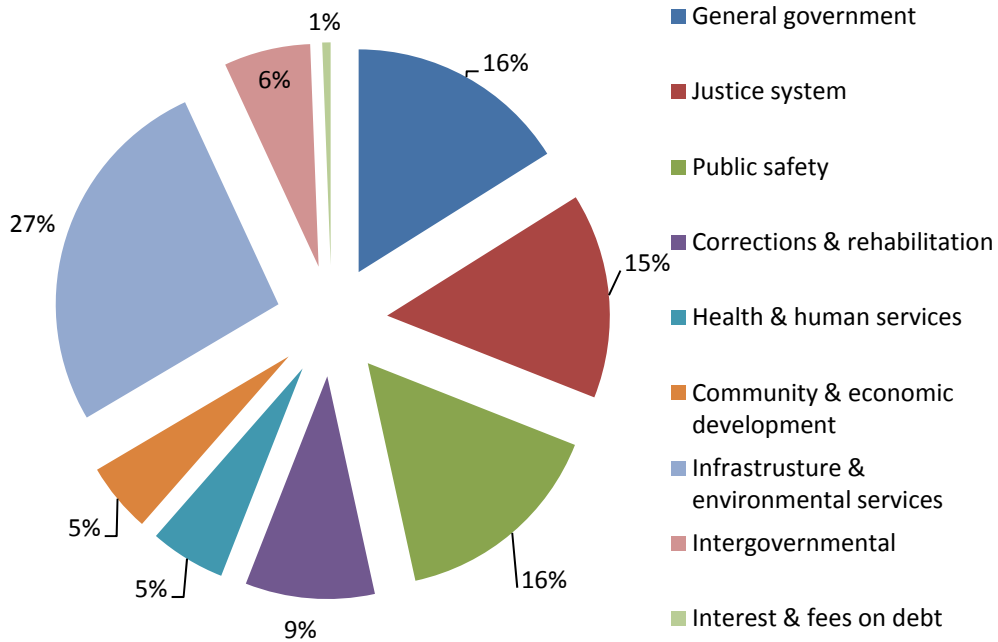


### 2016 Revenue Percentages

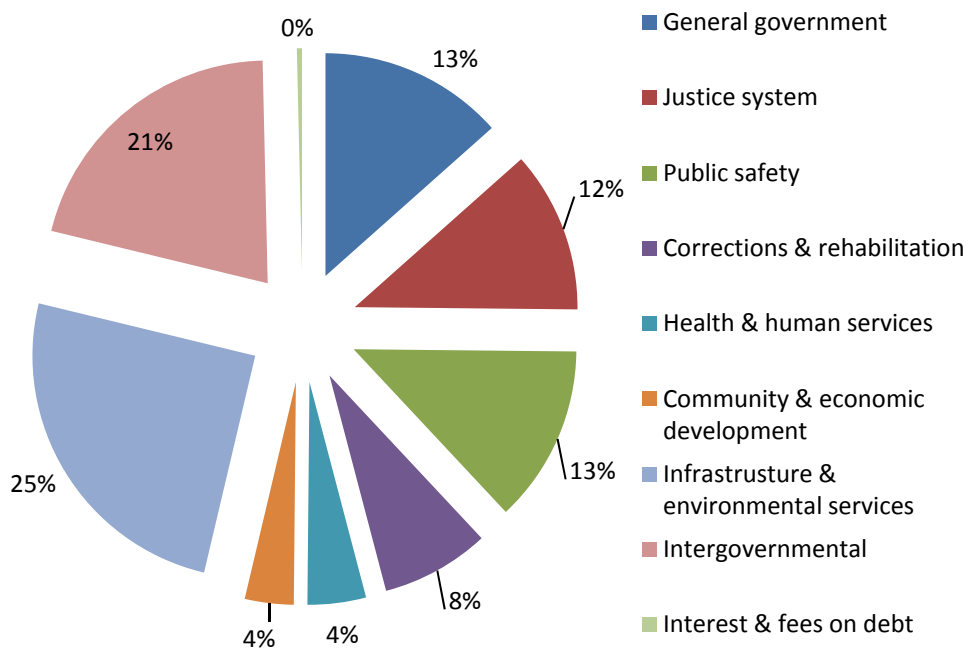




### 2015 Expense Percentages



### 2016 Expense Percentages



## MATAGORDA COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016

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

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the County's strong fiscal management and accountability.

**Governmental funds.** The general government functions are reported in the General, Intergovernmental, Special Revenue, and Debt Service funds. The focus of the County's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$13,297,148. Approximately 68% of this amount (9.1 million) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is divided among committed fund balance of \$1,436,849, restricted fund balance of \$2,395,215 and non-spendable fund balance of \$408,330. The County's ability to spend each of these types of fund balance is more limited than with unassigned fund balance, and the limitations on spending are discussed more fully in the notes to the financial statements.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,056,754, while total fund balance was \$10,901,933. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40% of total general fund expenditures, and total fund balance represents 48% of that same amount.

The fund balance of Matagorda County's general fund increased by \$552,558 compared to a net increase of \$151,905 the prior year. Overall, revenue and other sources were up by \$1,359,949 while expenditures were down by \$226,051. Following are some of the more significant factors noted:

- Tax revenue was up by \$2,566,091. As discussed earlier, this is due to the increased tax rate when compared to prior year.
- Intergovernmental revenue was down by \$729,904. This is a result of a decrease in federal and state grant funds for the year.
- Decrease in Charges for Services by 553,623 due primarily to reduction in emergency response fee.
- Expenditures decreased by \$226,051 with no significant impact in any one function.

**Proprietary funds.** The County has only one proprietary fund type which is an internal service fund. This internal service fund is used to account for a self-funded health insurance program. The fund for 2016 had an operating loss of \$383,920 as compared to last year's loss of \$365,076. Premium revenue increased slightly to help defray the rising costs of healthcare.

#### GENERAL FUND BUDGETARY HIGHLIGHTS

The Commissioners' Court approved increases to budgeted operating revenue of \$1,561,584 and appropriations of \$3,880,667. The most significant revenue amendment was to intergovernmental revenue of \$972,459, including approval of CIAP and Emergency Management grants, with corresponding appropriations. Upon completion of the audit, the prior year committed funds were allocated to the four precincts current year budgets for an overall total of \$1,788,128. Emergency building repairs from fund balance were also added to the current year in the amount of \$412,095.

# MATAGORDA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016

## CAPITAL ASSETS AND LONG-TERM DEBT

**Capital assets.** The County's investment in capital assets for its governmental activities as of December 31, 2016 amounts to \$23,804,822 (net of accumulated depreciation). This investment in capital assets includes land; buildings and improvements; equipment and vehicles; and infrastructure for roads and bridges. Overall, the capital assets decreased by \$812,432.

The following table lists the County's investment in capital assets (net of accumulated depreciation) as of December 31, 2016

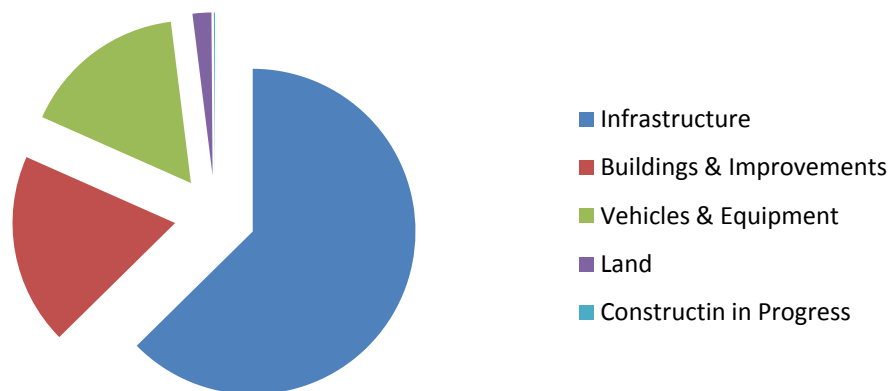
### MATAGORDA COUNTY'S CAPITAL ASSETS

	Balances 12/31/2015	Increases	Decreases	Balances 12/31/2016
Land	\$ 1,349,101	\$ 7,250	\$ -	\$ 1,356,351
Construction in Progress	81,571	807,028	-	888,599
Infrastructure	45,485,406	855,695	879,245	45,461,856
Buildings and improvements	13,815,272	652,212	-	14,467,484
Vehicles and equipment	11,905,218	727,227	372,793	12,259,652
	<u>72,636,568</u>	<u>3,049,412</u>	<u>1,252,038</u>	<u>74,433,942</u>
Less accumulated depreciation	<u>(48,019,314)</u>	<u>(3,204,286)</u>	<u>594,480</u>	<u>(50,629,120)</u>
	<u>\$ 24,617,254</u>	<u>\$ (154,874)</u>	<u>\$ 657,558</u>	<u>\$ 23,804,822</u>

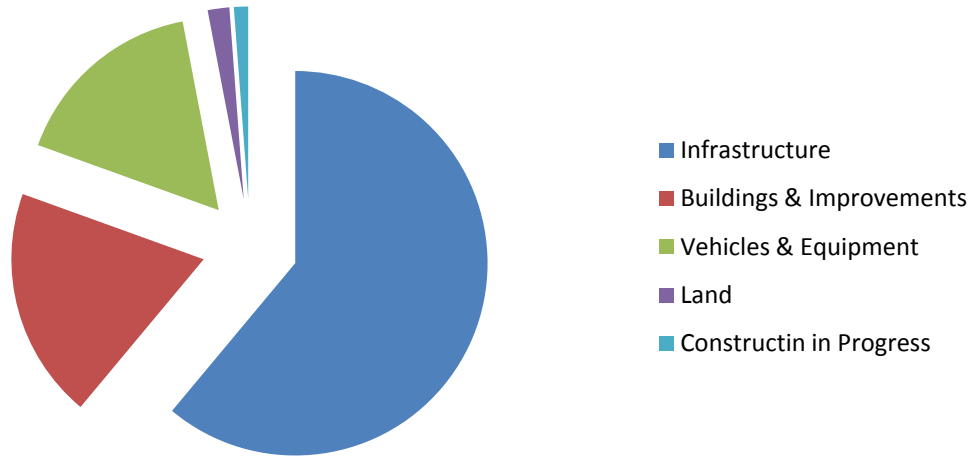
Some of the more significant transactions are noted below:

- Purchase of equipment for road construction, and road replacement of \$855,695.
- Purchase of new truck, police cars and other equipment of over \$708,000.
- Depreciation expense and adjustments of \$3,204,286. The prior year partially depreciated over \$7 million in infrastructure, whereas a full year's depreciation is captured in 2016.

## 2015 Capital Assets at Cost



### 2016 Capital Asset Breakdown



Additional information of Matagorda County’s capital assets can be found in note D of this report.

**Long-term debt.** The County’s long-term debt consists of certificates of obligation for County-wide facility improvements, capital leases for software and equipment, accumulated net post-employment benefits (retiree health insurance) and net pension liabilities.

The following table lists the County’s long-term debt as of December 31, 2016

#### MATAGORDA COUNTY’S LONG-TERM DEBT

	Balances		Balances	
	12/31/2015	Increases	Decreases	12/31/2016
Certificates of obligatioin	\$ 2,930,000	\$ -	\$ 180,000	\$ 2,750,000
Capital leases	1,359,864	-	415,433	944,431
Compensated absences	349,695	253,536	227,851	375,380
Net OPEB obligation	8,810,570	2,479,406	1,329,276	9,960,700
Net pension obligation	3,714,767	3,822,138	916,055	6,620,850
Issuance Premium	57,310	-	3,016	54,294
	<u>\$ 17,222,206</u>	<u>\$ 6,555,080</u>	<u>\$ 3,071,631</u>	<u>\$ 20,705,655</u>

Some of the more significant transaction for the year include:

- Pay off a certificate of obligation for facility improvements in 2016.
- Continued Implementation of GASB 68 mentioned earlier related to the recognition of net pension obligation at year end.
- Continued amortization and recognition of net post-employment health insurance obligation at year end.

Additional information on Matagorda County’s long-term debt can be found in note F of this report.

## **MATAGORDA COUNTY**

*MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016*

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

The annual budget is developed to provide efficient, effective and controlled use of the County's resources. Through the budget the County Commissioners set the direction of the County, allocate its resources and establish its priorities. The 2017 budget was adopted August 29, 2016 with General Fund expenditures of \$22,954,335 and a revenue budget of \$22,954,335.

The Commissioners' Court adopted a maintenance and operation tax rate of .41998 per \$100 assessed valuation. The court also adopted an interest and sinking tax rate of .00443.

The main factors affecting the 2017 Budget were as follows:

- A decrease in budgeted revenue for emergency response fee in the amount of \$192,978.
- An increase in expected tax revenues in the amount of \$1,032,836 as a result of increased values and rates.
- An increase in budgeted payroll and benefits; 5% for employees excluding elected and appointed officials.

### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Matagorda County Auditor, 1700 7<sup>th</sup> Street, Room 326, Bay City, Texas 77414, or call (979) 244-7611.



## Basic Financial Statements





**MATAGORDA COUNTY**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2016**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,962,457
Receivables ( net of allowances for uncollectibles):	
Taxes	15,912,540
Escrow	25,485
Other	4,795,596
Prepaid items	408,330
Due from other governments	15,438
Interest receivable	26,383
Purchased interest receivable	426
Investments	10,335,195
Capital Assets (net of accumulated depreciation):	
Land	1,356,350
Construction in progress	888,600
Buildings	7,943,710
Improvements	202,904
Infrastructure	9,370,877
Equipment	4,042,381
Total Assets	<u>63,286,672</u>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred outflow of pension resources	4,998,873
Total Deferred Outflow of Resources	<u>4,998,873</u>
<b>LIABILITIES</b>	
Accounts payable	1,847,314
Accrued payroll	206,537
Claims payable	125,920
Due to other governments	1,100,420
Due to others	419,366
Accrued interest payable	41,802
Unearned revenue	396,717
Escrow reserves	57,934
Noncurrent Liabilities:	
Due within one year	526,443
Due in more than one year	20,179,211
Total Liabilities	<u>24,901,664</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue - current taxes	18,106,179
Pension related	532,929
Total deferred inflows of resources	<u>18,639,108</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	20,110,391
Restricted For:	
Debt Service	24,040
Construction	1,450,337
Legislative Purposes	918,876
Unrestricted	2,241,129
Total Net Position	<u>\$ 24,744,773</u>

The accompanying notes are an integral part of this statement.

**MATAGORDA COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Government Activities:					Governmental Activities
General government	\$ 4,594,032	\$ 1,373,609	\$ 20,406	\$ --	\$ (3,200,017)
Justice system	4,008,884	248,067	512,737	--	(3,248,080)
Public safety	4,404,045	2,821,947	269,703	--	(1,312,395)
Corrections and rehabilitation	2,692,576	179,924	89,680	--	(2,422,972)
Health and human services	1,450,050	72,149	--	--	(1,377,901)
Community and economic development	1,210,022	214,760	43,847	92,682	(858,733)
Infrastructure and environmental services	8,580,302	392,615	31,173	21	(8,156,493)
Intergovernmental	7,130,930	--	98,429	7,007,501	(25,000)
Interest and fees on debt	124,987	--	--	--	(124,987)
Total governmental activities	<u>34,195,828</u>	<u>5,303,071</u>	<u>1,065,975</u>	<u>7,100,204</u>	<u>(20,726,578)</u>
Total Primary Government	<u>\$ 34,195,828</u>	<u>\$ 5,303,071</u>	<u>\$ 1,065,975</u>	<u>\$ 7,100,204</u>	<u>(20,726,578)</u>
General Revenues:					
Property taxes					16,392,558
Miscellaneous					144,532
Unrestricted investment earnings					173,033
Total General Revenues					<u>16,710,123</u>
Change in Net Position					<u>(4,016,455)</u>
Net Position - Beginning					<u>28,761,228</u>
Net Position - Ending					<u>\$ 24,744,773</u>

The accompanying notes are an integral part of this statement.

**MATAGORDA COUNTY**

## BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2016

	General Fund	Inter Governmental Grants	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,441,369	\$ --	\$ 3,122,297	\$ 6,563,666
Receivables ( net of allowances for uncollectibles):				
Taxes	15,731,117	--	181,423	15,912,540
Escrow	25,485	--	--	25,485
Other receivables	4,013,163	746,699	24,898	4,784,760
Prepaid items	408,330	--	--	408,330
Due from other governments	15,438	--	--	15,438
Due from other funds	10,498	--	--	10,498
Interest receivable	26,383	--	--	26,383
Purchased Interest receivable	426	--	--	426
Investments	10,335,195	--	--	10,335,195
Total Assets	<u>\$ 34,007,404</u>	<u>\$ 746,699</u>	<u>\$ 3,328,618</u>	<u>\$ 38,082,721</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 614,004	\$ 746,699	\$ 424,630	\$ 1,785,333
Accrued payroll	206,537	--	--	206,537
Due to other governments	424,869	--	1	424,870
Due to other funds	--	--	10,498	10,498
Due to others	353,057	--	66,309	419,366
Unearned revenue	1,253,973	--	201,000	1,454,973
Escrow reserves	57,934	--	--	57,934
Total Liabilities	<u>2,910,374</u>	<u>746,699</u>	<u>702,438</u>	<u>4,359,511</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - delinquent taxes	2,286,718	--	33,165	2,319,883
Unearned revenue - current taxes	17,908,379	--	197,800	18,106,179
Total deferred inflows of resources	<u>20,195,097</u>	<u>--</u>	<u>230,965</u>	<u>20,426,062</u>
<b>FUND BALANCES (DEFICITS)</b>				
Non-spendable:				
Prepaid items	408,330	--	--	408,330
Restricted for:				
Captial projects	--	--	1,450,337	1,450,337
Debt service	--	--	26,002	26,002
Legislative purposes	--	--	918,876	918,876
Committed for:				
Precincts	1,436,849	--	--	1,436,849
Unassigned	9,056,754	--	--	9,056,754
Total Fund Balances (Deficits)	<u>10,901,933</u>	<u>--</u>	<u>2,395,215</u>	<u>13,297,148</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 34,007,404</u>	<u>\$ 746,699</u>	<u>\$ 3,328,618</u>	<u>\$ 38,082,721</u>

The accompanying notes are an integral part of this statement.

**MATAGORDA COUNTY**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016

Total fund balances - governmental funds balance sheet	\$ 13,297,148
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	23,804,823
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,319,883
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	410,360
Payables for capital leases which are not due in the current period are not reported in the funds.	(944,431)
Payables for bond interest which are not due in the current period are not reported in the funds.	(41,802)
Payables for certificates of obligation which are not due in the current period are not reported in the funds.	(2,750,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(375,380)
Other post employment benefits which are not due and payable in the current period are not reported in the funds.	(9,960,700)
Certificat of obligation premiums are amortized in the SNA but not in the funds.	(54,293)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	1,194,071
Recognition of the County's proportionate share of the net pension liability is not reported in the funds.	(6,620,850)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(532,929)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>4,998,873</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 24,744,773</u>

The accompanying notes are an integral part of this statement.

# MATAGORDA COUNTY

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Inter Governmental Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 16,545,809	\$ --	\$ 287,891	\$ 16,833,700
Licenses and permits	770,097	--	--	770,097
Intergovernmental	810,442	7,130,930	362,814	8,304,186
Charges for services	4,168,743	--	262,612	4,431,355
Fines	429,327	--	--	429,327
Investment income	169,004	--	4,029	173,033
Miscellaneous	310,611	--	32,476	343,087
Total revenues	<u>23,204,033</u>	<u>7,130,930</u>	<u>949,822</u>	<u>31,284,785</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,517,014	--	1,302,487	4,819,501
Justice system	3,336,936	--	203,850	3,540,786
Public safety	3,820,322	--	1,328	3,821,650
Corrections and rehabilitation	2,267,636	--	188,068	2,455,704
Health and human services	1,342,124	--	--	1,342,124
Community and economic development	1,072,840	--	2,015	1,074,855
Infrastructure and environmental services	5,980,068	--	--	5,980,068
Intergovernmental	--	6,442,116	--	6,442,116
Capital outlay	880,611	688,814	--	1,569,425
Debt service:				
Principal	414,965	--	180,000	594,965
Interest and fees on debt	39,459	--	88,405	127,864
Total expenditures	<u>22,671,975</u>	<u>7,130,930</u>	<u>1,966,153</u>	<u>31,769,058</u>
Excess (deficiency) of revenues over (under) expenditures	<u>532,058</u>	<u>--</u>	<u>(1,016,331)</u>	<u>(484,273)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	27,500	--	7,000	34,500
Transfers out	(7,000)	--	(27,500)	(34,500)
Total other financing sources (uses)	<u>20,500</u>	<u>--</u>	<u>(20,500)</u>	<u>--</u>
Net change in fund balances	552,558	--	(1,036,831)	(484,273)
Fund balances - beginning	10,349,375	--	3,432,046	13,781,421
Fund balances - ending	<u>\$ 10,901,933</u>	<u>\$ --</u>	<u>\$ 2,395,215</u>	<u>\$ 13,297,148</u>

The accompanying notes are an integral part of this statement.

## MATAGORDA COUNTY

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2016

Net change in fund balances - total governmental funds	\$ (484,273)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,999,964
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,861,845)
Donations of capital assets increase net position in the SOA but not in the funds.	49,448
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(441,142)
Repayment of certificate of obligation principal is an expenditure in the funds but is not an expense in the SOA	180,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	415,433
(Increase) decrease in accrued interest from beginning of period to end of period.	(607)
The net revenue (expense) of internal service funds is reported with governmental activities.	(383,920)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(25,684)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	(713,718)
Bond premiums are reported in the funds but not in the SOA.	3,016
Change in joint venture equity is not reported in the funds.	(1,150,130)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(602,997)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (4,016,455)</u>

The accompanying notes are an integral part of this statement.

**MATAGORDA COUNTY**  
 STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUND  
 DECEMBER 31, 2016

	Nonmajor Internal Service Fund
	Insurance Fund
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 662,090
Other receivables	10,836
Total Assets	<u>\$ 672,926</u>
<b>LIABILITIES</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 831
Claims payable	125,920
Deferred revenue	135,815
Total Liabilities	<u>262,566</u>
<b>NET POSITION</b>	
Unrestricted	410,360
Total net position	<u>\$ 410,360</u>

The accompanying notes are an integral part of this statement.

**MATAGORDA COUNTY**STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - INTERNAL SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Nonmajor Internal Service Fund
	Insurance Fund
<b>OPERATING REVENUES</b>	
Employer contributions	\$ 3,070,813
Employee contributions	202,620
Retiree/Cobra contributions	107,331
Special district contributions	177,418
Total Operating Revenues	<u>3,558,182</u>
<b>OPERATING EXPENSES</b>	
Administrative expenses	547,090
Retiree premiums	340,936
Claims expense	2,288,072
Prescriptions	770,033
Total Operating Expenses	<u>3,946,131</u>
Operating Income (Loss)	<u>(387,949)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest revenue	4,029
Total Non-operating Revenues (Expenses)	<u>4,029</u>
Change in Net Position	(383,920)
Total net position - beginning	794,280
Total net position - ending	<u>\$ 410,360</u>

The accompanying notes are an integral part of this statement.



**MATAGORDA COUNTY**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Nonmajor Internal Service Fund
	Insurance Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash received from interfund services provided	\$ 3,211,232
Cash received from external users	308,576
Cash payments for administration	(918,332)
Cash payments for claims	(3,066,715)
Net Cash Provided (Used) by Operating Activities	<u>(465,239)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Interfund loan	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest and dividends on investments	4,029
Net Cash Provided (Used) for Investing Activities	<u>4,029</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(461,210)
Cash and Cash Equivalents at Beginning of Year	1,123,300
Cash and Cash Equivalents at End of Year	<u>\$ 662,090</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPEARTING ACTIVITIES:</b>	
Operating Income (Loss)	\$ (387,949)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
(Increase) decrease in accounts receivable	23,827
(Increase) decrease in prepaid expenses	27,819
Increase (decrease) in accounts payable	(58,125)
Increase (decrease) in interfund balance	--
Increase (decrease) in claims payable	(8,610)
Increase (decrease) in deferred revenue	(62,201)
Total Adjustments	<u>(77,290)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (465,239)</u>

The accompanying notes are an integral part of this statement.

**MATAGORDA COUNTY**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2016

	Agency Funds
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,665,326
Total Assets	<u>\$ 3,665,326</u>
<b>LIABILITIES</b>	
Due to other governments	\$ 955,869
Due to others	2,709,457
Total Liabilities	<u>3,665,326</u>
<b>NET POSITION</b>	
Unrestricted	--
Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**MATAGORDA COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

A. Summary of Significant Accounting Policies

1. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

2. Reporting entity

Matagorda County was established in 1836 by the Republic of Texas. Commissioners elected from each of four precincts serve as the governing body with the elected County Judge as the head of this body. The Commissioners and County Judge oversee all functions of general government applicable to the County as provided by state statutes.

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements using the criteria as set forth in GASB Statement No. 14, "The Financial Reporting Entity." Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

3. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are Interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The County allocates indirect expenses in the statement of activities based on the prior year functional totals at the government-wide level.

4. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category— governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The CDBG Disaster Recovery fund is used to account for the receipts and disbursements related to the Texas Community Development grant for recovery from residentially declared disasters to rebuild the affected areas and provide crucial seed money to start the recovery process.

Additionally, the County reports the following fund types:

Internal service funds account for health benefits provided to County employees, retirees and dependents. Contributions to the fund consist of charges to the participating entities for covered employees along with contributions from employees and retirees.

**MATAGORDA COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

The agency fund accounts for District Clerk, County Clerk and Inmate trust funds held for the benefit of others and the Tax Assessor Collector funds collected on behalf of others.

During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**5. Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the County.

The proprietary fund is reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

**6. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and following special revenue funds: district attorney legal/law, sheriff & jail discretionary, county clerk preservation & automation, countywide records management preservation, courthouse security, justice court technology, district clerk records management preservation and county & district court technology. Other

**MATAGORDA COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, department and category. The department heads may make transfers of appropriations within a category; however, transfers of appropriations between categories require the approval of Commissioners Court. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the category level.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments) Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, the four precinct unexpended budgets in the general fund are re-appropriated and become part of the subsequent year's budget pursuant to action by Commissioners Court.

7. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments for the County are reported at fair value (generally based on quoted market prices) except for the position in Government Investment Pool (Pool). In accordance with state law, the Pool operates in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the Pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The Pool is subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

The Public Funds Investment Act and local policy authorizes the District to invest in obligations of the US Treasury, certificates of deposit, repurchase agreements, commercial paper, mutual funds and public funds investment pools. Investments for the District are reported at fair value. Public funds investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures or expenses when consumed rather than when purchased.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for infrastructure 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 one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the County chose to include items from 1980 forward as permitted by GASB. The County was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the County constructs or acquires

**MATAGORDA COUNTY**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	15-40
Buildings	40-60
Improvements	10-20
Vehicles & office equipment	3-8
Other Equipment	5-20

Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 item that qualifies for reporting in this category. The deferred outflows of resources calculated in the actuarial pension study required by GASB 68 and the current year pension payments are reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The items "unavailable" and "unearned" revenue are reported in the governmental funds balance sheet and only "unearned" in the government-wide statement of net position. The "unavailable" source represents the uncollected delinquent taxes receivable while the "unearned" represents the October 1 tax levy used to finance next years budget. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available and earned for governmental funds and earned for government-wide.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Matagorda County Drainage District #1 Employees Pension Plan (Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable accordance with the benefit terms. Investments are reported at fair value.

In addition to assets, the statement of financial 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 does not have any items that qualifies for reporting in this category.

Net position flow assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a

**MATAGORDA COUNTY**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County's highest level of decision-making authority. The Commissioners Court is the highest level of decision-making authority for the County that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken, the adoption of a resolution to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. Although Commissioners Court has not authorized another to assign fund balance, they may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The unassigned fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes. The general fund is the only fund that reports a positive fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes.

8. Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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 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

**MATAGORDA COUNTY**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property 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 fiscal year.

Compensated absences

It is the County's policy to permit employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Accumulated sick leave lapses when employees leave the employ of the County and, upon separation from service, no monetary obligation exists.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to the County and employees for health insurance. Operating expenses for the internal service fund includes the cost of medical claims, prescriptions and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**B. Deposits and Investments**

Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. Consistent with the requirements of the Public Funds Collateral Act, it is the policy of The County to require full collateralization of all County investments and funds on deposit with a depository bank, other than investments, which are obligations of the U.S. government and its agencies and instrumentalities. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principal and accrued interest on the deposits or investments less an amount insured by the FDIC. The County's cash deposits at December 31, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

Investments:

All investments made by the County were within the guidelines provided in Government Code 10 (Chapter 2256), Public Funds Investment Act (short title), and subject to such other restrictions as may be imposed by the Commissioners Court by resolution or order, the Commissioners Court of Matagorda County, Texas.

The County's investment at December 31, 2016 are shown below.

Investment or Investment Type	Maturity in yrs	Weighted Avg		Portfolio %
		Rating	Fair Value	
Certificates of Deposit	0.39	FDIC	\$ 1,716,036	10.66%
State Agencies	0.11	AA+	481,368	2.98%
US Agencies	1.71	AA+	7,479,887	46.45%
US Agencies	0.15	Not Rated	657,904	4.09%
Total Investments			10,335,195	
Money Market Funds (included in cash)	0.00	FDIC	5,767,728	35.82%
	2.36		\$ 16,102,923	100.00%



**MATAGORDA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Analysis of specific deposit and investment risks:

The District categorizes its fair value measurements within 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. The District values its investments using Level 3 inputs.

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

**Credit Risk** - the risk that an issuer or other counterparty to an investment will not fulfil its obligations. It is the policy of the County to only invest in securities meeting the minimum rating by the Public Funds Investment Act and local policy. The Investment Officer will monitor, on at least a weekly basis, the credit rating and should that rating fall below accepted levels; the Investment Officer will immediately advise the County of the loss of rating and the possible loss of principal. The Investment Officer and the County shall take all prudent measures consistent with this policy to liquidate any investment that does not have at least the minimum required rating.

**Interest Rate Risk** - the risk that changes in interest rates will adversely affect the fair value of an investment. The County limits its exposure to interest rate risk by diversifying its investments by security type and institution. County policy will be that the maximum allowable stated maturity of an individual investment for operating funds shall not exceed five years, unless a temporary extension of maturities is approved by the Board of Directors. The maximum average maturity shall be two years.

**Concentration of Credit Risk** - the risk of loss attributed to the magnitude of a government's investment in a single user. Invested funds shall be diversified to minimize risk or loss resulting from over-concentration of assets in a specific maturity, specific issuer, or specified class of securities. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy and the securities markets. Diversification strategies shall be established and reviewed annually. At a minimum, diversification standards by security type and issuer shall be:

Security Type	Max % of Portfolio
US Obligations	Not to exceed 80%
US Agencies/Instrumentalities	Not to exceed 80%
State Obligations	Not to exceed 80%
State Agencies/Instrumentalities	Not to exceed 80%
Certificates of Deposits (including Brokered CDs)	Not to exceed 40%
Commercial Paper	Not to exceed 25%
Repurchase Agreements	Not to exceed 40%
Money Market Funds	100%
Local Government Investment Pools	100%

**C. Receivables**

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is the detail of receivables for the major funds and the nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts:

	General	Inter-Gov'tal Grants	Nonmajor Governmental	Totals
Taxes	\$ 15,882,698	\$ --	\$ 181,851	\$ 16,064,549
Less allowance	(151,581)	--	(428)	(152,009)
	<u>\$ 15,731,117</u>	<u>\$ --</u>	<u>\$ 181,423</u>	<u>\$ 15,912,540</u>
Other Receivables	\$ 1,186	\$ --	\$ 1,012	\$ 2,198
Taxes and Tax Statements	2,307,496	--	--	2,307,496
Grants	--	746,699	23,886	770,585

**MATAGORDA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

Insurance Recoveries			--	--
Fines and Fees	9,531,998	--	--	9,531,998
Less allowance	(7,827,517)	--	--	(7,827,517)
	<u>\$ 4,013,163</u>	<u>\$ 746,699</u>	<u>\$ 24,898</u>	<u>\$ 4,784,760</u>

With the exception of property taxes, fines and fees, all receivables are expected to be collected within one year.

**D. Capital Assets**

Capital asset activity for the year ended December 31, 2016, was as follows:

Governmental activities:	Beginning Balances	Increase	Decreases	Ending Balances
Capital assets not being depreciated:				
Land	\$ 1,349,101	\$ 7,250	\$ --	\$ 1,356,351
Construction in Progress	81,571	807,028	--	888,599
	<u>1,430,672</u>	<u>814,278</u>	<u>--</u>	<u>2,244,950</u>
Capital assets being depreciated:				
Infrastructure	45,485,406	855,695	879,245	45,461,856
Buildings and improvements	13,815,272	652,212	--	14,467,484
Vehicles and equipment	11,905,218	727,227	372,793	12,259,652
Total capital assets being depreciated	<u>71,205,896</u>	<u>2,235,134</u>	<u>1,252,038</u>	<u>72,188,992</u>
Less accumulated depreciation for:				
Infrastructure	34,239,165	2,046,746	194,932	36,090,979
Buildings and improvements	6,018,542	298,323	(4,005)	6,320,870
Vehicles and equipment	7,761,607	859,217	403,553	8,217,271
Total accumulated depreciation	<u>48,019,314</u>	<u>3,204,286</u>	<u>594,480</u>	<u>50,629,120</u>
Total capital assets being depreciated, net	<u>23,186,582</u>	<u>(969,152)</u>	<u>657,558</u>	<u>21,559,872</u>
Governmental activities capital assets, net	<u>\$ 24,617,254</u>	<u>\$ (154,874)</u>	<u>\$ 657,558</u>	<u>\$ 23,804,822</u>

Depreciation expense of \$3,204,286 and net asset disposals of \$657,558 were charged to functions as follows:

General government	\$ 195,278
Justice system	180,981
Public safety	189,357
Corrections and rehabilitation	114,011
Health and human services	66,590
Community and economic development	61,471
Infrastructure and environmental services	3,054,157
	<u>\$ 3,861,845</u>

**E. Interfund Balances and Activity**

The composition of interfund balances as of December 31, 2016 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	\$ 10,498

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. With the exception of \$50 which represents imprest funds, all interfund balances are expected to be collected in the subsequent year.

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F. Long-Term Obligations

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended December 31, 2016, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Certificates of Obligation	\$ 2,930,000	\$ --	\$ 180,000	\$ 2,750,000	105,000
Capital leases*	1,359,864	--	415,433	944,431	351,253
Compensated absences *	349,695	253,536	227,851	375,380	70,190
Net OPEB Obligation*	8,810,570	2,479,406	1,329,276	9,960,700	--
Net Pension Liability**	3,714,767	3,822,138	916,055	6,620,850	--
Issuance Premium	57,310	--	3,016	54,294	--
Total governmental activities	<u>\$ 17,222,206</u>	<u>\$ 6,555,080</u>	<u>\$ 3,071,631</u>	<u>\$ 20,705,655</u>	<u>\$ 526,443</u>

\* The funds typically used to liquidate other long-term liabilities in the past are as follows:

\*\* Beginning balance restated for the effects of GASB 68, see footnote Q.

Liability	Activity Type	Fund
Capital leases	Governmental	General
Compensated absences	Governmental	General
Net OPEB Obligation	Governmental	General
Net pension liability	Governmental	General

Debt service requirements on long-term debt at December 31, 2016, are as follows:

Certificates of obligation of \$1,515,000, issued August 15, 2006 bearing interest at 4.69% and maturing March 15, 2016 were issued for the purpose of jail expansion, and was paid off in 2016.

Certificates of obligation of \$2,750,000, issued August 24, 2015 bearing interest at 3.0%-3.50% and maturing March 15, 2035 were issued for the purpose of county-wide improvements. This obligation has \$2,750,000 balance at year-end.

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 105,000	\$ 84,563	\$ 189,563
2018	110,000	81,338	191,338
2019	115,000	77,963	192,963
2020	115,000	74,513	189,513
2021	120,000	70,288	190,288
2022-2026	675,000	296,815	971,815
2027-2031	780,000	187,777	967,777
2032-2036	730,000	51,757	781,757
Totals	<u>\$ 2,750,000</u>	<u>\$ 925,014</u>	<u>\$ 3,675,014</u>

G. Lease Obligations

The County entered into lease agreements as lessee for financing the acquisition of road equipment valued at \$755,600. The equipment has a twenty year estimated useful life with year to date depreciation of \$58,843. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015 were as follows:

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	Governmental Activities
Year ending December 31,	
2017	\$ 378,828
2018	264,144
2019	263,808
2020	95,003
Total minimum lease payments	1,001,783
Less: amount representing interest	(57,352)
Present value of minimum lease payments	<u>\$ 944,431</u>

H. Risk Management

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2016, the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities via interlocal agreement and forming a risk pool ("Pool"). The Pool is a legally separate entity operating as a common risk management and insurance program and is administered by TriStar Risk Management. The Pool provides third party liability, public officials liability, automobile liability, workers compensation, blanket crime coverage and property coverage. The County pays an annually determined premium to the pool for its share of the above insurance coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. Latest audited financial statements for the self-insured pool can be obtained by contacting PO Box 327, Bay City, Tx 77404-0327.

The County continues to carry insurance for other risks of loss through a group purchasing cooperative. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Pension Plan

General Information about the Pension Plan

**Plan Description**

TCDRS is a statewide, agent multiple-employer, public-employee retirement system. The system serves 677 actively participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCDRS Act. Because of that, employers have the flexibility and local control to select benefits and pay for those benefits based on their needs and budgets. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year Basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan.

**Benefits**

The Plan provides retirement and disability benefits. Employees with 8 years of continuous service are eligible to retire at age 60, at any age with 30 years of services or when age plus years of service total 75. The service or disability retirement benefit is calculated based on the employee's account balance and employer matching as selected by the employer, and may include other employer provided funds. Current deposits are matched at a ratio of 2:1, or \$2.00 for every \$1.00. The

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employee's account and employer provided funds are combined and converted to a lifetime annuity. The retiree receives a payment every month for the rest of his or her life by choosing from one of seven actuarially equivalent payment options. Disability retirement benefits are determined in the same manner as retirement benefits.

**Employees covered by benefit terms**

At December 31, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	187
Inactive employees entitled to but not yet receiving benefits	146
Active employees	231
	564

**Contributions**

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding. As an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan: employee deposits, employer contributions and investment income.

The deposit rate for employees is 7% of compensation, as adopted by the Board of Directors.

Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. The County contribution rate was 14.77% for 2015 and 14.80% for 2016.

Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs.

Net Pension Liability (Asset)

**Actuarial Assumptions**

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation Rate	3.00%
Long-term expected Invest Rate of Return	8.10%

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Mortality rates were based on the following: (a) depositing members - the RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA; (b) service retirees, beneficiaries and non-depositing members - the RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for

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males and no age adjustment for females; and (c) disabled retirees RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 - December 31, 2013 for more details.

Asset Class and Benchmark	Target Allocation	Geometric Real Rate of Return (expected minus Inflation)
U.S. Equities - Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity - Cambridge Associates Global Private Equity & Venture Capital Index	14.00%	8.45%
Global Equities - MSCI World (net) Index	1.50%	5.75%
International Equities - Developed - 50% MSCI World ex USA (net) + 50% MSCI World ex USA 100% Hedged to USD (net) Index	10.00%	5.45%
International Equities - Emerging - 50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	8.00%	6.45%
Investment Grade Bonds - Barclays Capital Agg Bond Index	3.00%	1.00%
High Yield Bonds - Citigroup High Yield Cash Pay Capped Index	3.00%	5.10%
Opportunistic Credit - Citigroup High Yield Cash Pay Capped Index	2.00%	5.09%
Direct Lending - Citigroup High Yield Cash Pay Capped Index	5.00%	6.40%
Distressed Debt - Citigroup High Yield Cash Pay Capped Index	3.00%	8.10%
REIT Equities - 67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/ NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs) - Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships - Cambridge Assoc Real Estate Index	5.00%	6.90%
Hedge Funds - Hedge Fund Research, Inc. (HFRI) Fund of Funds Comp Index	25.00%	5.25%
	100.00%	80.19%

**Discount Rate**

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

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

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

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

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

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

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

**Changes in Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Postion (b)	Net Position Liability (Asset) (a) - (b)
Balances as of December 31, 2014	\$ 49,456,273	\$ 45,741,506	\$ 3,714,767
Changes for the year:			
Service cost	1,061,295	--	1,061,295
Interest on total pension liability	3,949,923	--	3,949,923
Effect of plan changes	(163,313)	--	(163,313)
Effect of economic/demographic gains or losses	(710,572)	--	(710,572)
Effect of assumptions changes or inputs	559,506	--	559,506
Refund of contributions	(156,470)	(156,470)	--
Benefit payments	(2,712,077)	(2,712,077)	--
Administrative expenses	--	(32,500)	32,500
Member contributions	--	592,700	(592,700)
Net investment income	--	252,706	(252,706)
Employer contributions	--	1,250,595	(1,250,595)
Other	--	(272,745)	272,745
Balances as of December 31, 2015	<u>\$ 51,284,565</u>	<u>\$ 44,663,715</u>	<u>\$ 6,620,850</u>

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**Discount Rate Sensitivity Analysis**

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

	1% Decrease in Discount Rate (7.10%)	Current Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 57,216,217	\$ 51,284,564	\$ 46,302,827
Fiduciary net position	44,663,715	44,663,714	44,663,715
Net pension liability (asset)	<u>\$ 12,552,502</u>	<u>\$ 6,620,850</u>	<u>\$ 1,639,112</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the year ended December 31, 2016 the County recognized pension expense of \$730,484. At December 31, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 314,814	\$ 532,929
Changes in actuarial assumptions	419,630	--
Difference between projected and actual earnings on pension plan investments	3,075,646	--
Contributions paid to TCDRS subsequent to the measurement date	1,188,783	--
Total	<u>\$ 4,998,873</u>	<u>\$ 532,929</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31	Pension Exp Amount
2016	\$ 916,055
2017	916,055
2018	758,648
2019	686,404
2020	--
Thereafter	--

**J. Other Postemployment Benefit (OBEB) Obligations**

Plan Description

The County, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain postretirement healthcare benefits to all retired employees who qualified under the Texas County District Retirement System and are currently receiving retirement (pension) income. Such benefits are not available to members' spouses or dependents; rather, only to former employees as previously described. Specific details of the Plan include the provision of certain hospitalization, major medical insurance and prescription drug coverage. These benefits are provided through insurance companies. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because



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the Plan consists solely of the County's firm commitment to provide OPEB through the payment of premiums on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy

The County pays the cost of the postemployment health care benefits for retirees during the life of the retiree. Retirees may elect to continue health care benefits for their spouse and family at their own expense. Substantially all of the government's employees may become eligible for these benefits if they reach normal retirement age while working for the government. The plan is financed on a pay as you go basis.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation:

Annual required contribution (ARC)	\$ 2,176,039
Interest on prior year net OPEB obligation	303,367
Amortization of prior year net OPEB obligation	(430,076)
Total annual OPEB cost	<u>2,049,330</u>
Contributions made	(899,200)
Increase in net OPEB obligation	<u>1,150,130</u>
Net OPEB obligation - beginning of year	8,810,570
Net OPEB obligation - end of year	<u>\$ 9,960,700</u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2016, 2015 and 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
12/31/14	\$ 2,205,973	\$ 726,505	33%	\$ 7,584,165
12/31/15	\$ 2,049,330	\$ 822,925	40%	\$ 8,810,570
12/31/16	\$ 2,049,330	\$ 899,200	44%	\$ 9,960,700

Funding Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the Plan was not funded. The actuarial present value of accrued liability for past and future service benefits equaled \$20,408,335 which represents 70.30% of the present value of all projected benefits of \$29,030,094. There were \$0 in actuarial valued assets, resulting in an unfunded actuarial accrued liability (UAAL) of the same. The total payroll (annual payroll of active employees) was \$6,658,306 and the ratio of the UAAL to the covered payroll equaled 306.51%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the County maintains no Plan assets, information relative to Plan asset required disclosures is not applicable.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by

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the County and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Plan members to that Point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

The annual required contribution rate for the plan was determined as part of the January 1, 2013 actuarial valuation using the following methods and assumptions:

Actuarial cost method	Project unit cost	
Amortization method	Level, open	
Remaining amortization	30 years	
Inflation rate		3%
Asset valuation method	None	
Investment return		1%
Projected salary increases	None	
Cost of living adjustments	None	
Healthcare cost trend rate		9%
Discount rate		4%

**K. Health Care Coverage**

During the year ended December 31, 2014 employees of the County were covered by a health insurance plan (the Plan). The County contributed monthly per employee, spouse, child and family to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents in excess of the County contribution. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the County and the third party administrator is renewable October 1, 2017, and terms of coverage and contribution costs 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 Texas Association of Counties Health Employee Benefit Program and Blue Cross Blue Shield of Texas, 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 \$100,000 and for aggregate loss. Other governmental entities and/or their employees contributed to the self-insurance pool which was operated under contractual provisions of Article 4413(32c), Interlocal Cooperation Act. Each member to the extent its benefit plan is self-insured, remains responsible for the payment of benefits under the benefit plan in the event HEBP fails to make such payments.

The internal service fund is funded by charges to the County's other funds and other governmental units and is based upon a predetermined fixed amount per employee, spouse, child and family. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The County considers claims paid in the three months following the fiscal year end to be a reasonable estimate of claims liability.

Changes in the balance of claims liabilities during the past three years are as follows:

	2014	2015	2016
Unpaid claims, beginning	\$ 157,736	\$ 157,736	\$ 134,530
Claims incurred	1,913,435	1,988,120	2,236,363
Claims paid	(1,957,151)	(2,011,326)	(2,244,973)
Unpaid claims, ending	<u>\$ 114,020</u>	<u>\$ 134,530</u>	<u>\$ 125,920</u>

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L. Contingencies

The County participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

The Appraisal District is currently defendant in a property valuation lawsuit for 2014 taxable values with Tres Palacios Gas Storage, LLC. The remaining year has not been settled at this time. It is the opinion of counsel the result could have a material fiscal impact on the County, but the amount is indeterminable at this time.

M. Closure and Postclosure Care Cost

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions. The County stopped receiving waste prior to October 9, 1993 at over 90% capacity used and officially closed in July, 2007. Post-closure costs are subject to change resulting from inflation, deflation, technology and/or changes in applicable laws and regulations and are expected to be nominal for the next five years after certification of the completion of closure. Therefore, no liability has been recorded in these financial statements.

N. Interfund Transfers

During the year, nonmajor governmental funds transferred \$27,500 in resources to the general fund to reimburse for supplemental pay using specially earmarked funds and the general fund transferred \$7,000 to nonmajor governmental funds to supplement resources.

O. Jointly Governed and Related Organizations

- 1 The County is accountable for the following related organizations in that they appoint the Commissioners:

- Matagorda County Conservation & Reclamation District
- Matagorda County Drainage District No. 1
- Matagorda County Drainage District No. 2
- Matagorda County Drainage District No. 3
- Matagorda County Drainage District No. 4
- Matagorda County Hospital District

The County is not financially accountable for the above organizations nor does the County's accountability for these organizations extend significantly beyond making the appointments. Accordingly, financial information for these entities is excluded from the County's financial statements. Latest audited financial statements for these entities may be obtained by writing 1700 7th Street, Room 302, Bay City, Tx 77414-5091.

- 2 The Adult Probation division is operated as a multi-county department doing business as 23rd Judicial District Community Supervision and Correction Department (CSCD) Matagorda and Wharton Counties. The CSCD services both Matagorda and Wharton Counties with each county providing required office space for the operations of the Department and substantially all of the Department's funding provided by the State.

The Department's board consists of the two District Judges for Matagorda and Wharton Counties. Matagorda County is not able to appoint a voting majority to the Department's board or otherwise impose its will. The Department is not fiscally dependent on Matagorda County since the County's role is ministerial in nature. As a result, the Department is considered to be legally separate from Matagorda County and thus not a part of the reporting entity of Matagorda County.

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P. Fund Balance

In the November 28, 2011 minutes, the Commissioners agreed to commit fund balances for each of the four precincts unspent budgeted funds at year end to be added to the subsequent years approved budget upon completion of the audit.

The following schedule presents details of restricted net position for legislative purposes at December 31, 2016:

	Other Governmental Funds
Restricted for legislative purposes:	
District attorney legal/law	\$ 112,577
Sheriff & jail discretionary	58,099
County clerk preservation & automation	514,136
Countywide records management preservation	32,021
Courthouse security	61,577
Justice court technology	16,918
District clerk records management preservation	60,008
County & district court technology	54,320
Historical commission	9,220
	<u>\$ 918,876</u>

Q. Property Tax Abatement

The County is authorized to provide tax abatement benefits in accordance with the Texas Property Redevelopment, and Tax abatement Act, chapter 312 of the Texas Tax code.

The County entered into property tax abatement agreements for the purpose of attracting or retaining businesses, and creating 600 full-time jobs by December 31, 2017. Tax abatements on property tax was granted on assessed land valued at \$3,891,608 for 2013 tax year by the County to a company for twenty-five (25) years, and granted for commitment of building a new steel pipe production plant valued at a minimum of \$1.314 billion in value. If agreement commenced as intended, the abatement period would be for the property tax years 2015 through 2040. The County agreed to recapture a prorated amount of abated taxes if these conditions are not met through the "Claw-back" payment clause. The County's agreement determines the percentage amount and duration of the tax abatement, which is not to exceed twenty-five years. In the case of the company exceeding the Job target, the District committed to providing an additional "Surplus Job Credit" incentive to the company.

For the property tax period ended December 31, 2016, the County abated property taxes totaling \$1,443,353 under this agreement, which is the percentage the County considers to be material for purposes of individual disclosure:

Type Business	Purpose	Percent Abated	Property Value
Pipe Manufacturing Company	To create 600 jobs and build a \$1.314 Billion steel pipe plant in the district	99%	\$ 343,671,852

## Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.



**MATAGORDA COUNTY**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 16,316,786	\$ 16,316,786	\$ 16,545,809	\$ 229,023
Licenses and permits	790,100	790,100	770,097	(20,003)
Intergovernmental	332,050	1,693,187	810,442	(882,745)
Charges for services	4,059,451	4,084,181	4,168,743	84,562
Fines	375,000	375,000	429,327	54,327
Investment income	150,000	150,000	169,004	19,004
Miscellaneous	84,000	259,717	310,611	50,894
Total revenues	22,107,387	23,668,971	23,204,033	(464,938)
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
County Judge:				
Personnel	208,540	213,540	213,736	(196)
Operating costs	8,300	9,100	8,411	689
Total County Judge	216,840	222,640	222,147	493
Commissioners Court				
Personnel	40,364	40,364	40,248	116
Operating costs	102,500	163,015	159,168	3,847
Total Commissioners Court	142,864	203,379	199,416	3,963
Information Services:				
Personnel	141,894	141,894	141,328	566
Operating costs	266,111	271,778	266,123	5,655
Capital outlay	12,000	6,333	6,333	--
Total Information Services	420,005	420,005	413,784	6,221
County Courthouse:				
Personnel	86,377	86,377	82,147	4,230
Operating costs	256,372	261,643	235,690	25,953
Total County Courthouse	342,749	348,020	317,837	30,183
County Office Building:				
Operating costs	110,800	110,800	95,165	15,635
Capital outlay	--	412,095	157,945	254,150
Total County Office Building	110,800	522,895	253,110	269,785
Unallocable by Department:				
Insurance	104,099	95,159	87,622	7,537
Appraisal fees	44,155	46,018	46,018	--
Retiree Insurance	267,365	275,322	348,000	(72,678)
Other costs	248,547	19,528	202	19,326
Total Unallocable by Department	664,166	436,027	481,842	(45,815)
County Clerk:				
Personnel	352,608	357,608	361,678	(4,070)
Operating costs	34,000	30,000	26,414	3,586
Total County Clerk	386,608	387,608	388,092	(484)

**MATAGORDA COUNTY**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
County Auditor:				
Personnel	440,714	373,508	366,997	6,511
Operating costs	22,400	19,600	17,913	1,687
Capital outlay	--	77,282	40,379	36,903
Debt	32,493	32,493	32,493	--
Total County Auditor	495,607	502,883	457,782	45,101
Human Resources:				
Personnel	--	171,875	152,926	18,949
Operating costs	--	14,300	12,749	1,551
Total Human Resources	--	186,175	165,675	20,500
County Treasurer:				
Personnel	151,203	157,107	157,428	(321)
Operating costs	12,575	15,005	15,287	(282)
Total County Treasurer	163,778	172,112	172,715	(603)
Special Districts				
Personnel	1,949	--	--	--
Operating costs	1,550	--	--	--
Total Special Districts	3,499	--	--	--
County Tax Assessor Collector:				
Personnel	583,577	583,577	537,693	45,884
Operating costs	78,900	78,900	68,323	10,577
Total Tax Assessor Collector	662,477	662,477	606,016	56,461
Elections:				
Personnel	22,934	35,563	31,886	3,677
Operating costs	27,000	43,101	43,862	(761)
Debt	95,003	95,003	95,002	1
Total Elections	144,937	173,667	170,750	2,917
<b>TOTAL GENERAL GOVERNMENT</b>	<b>3,754,330</b>	<b>4,237,888</b>	<b>3,849,166</b>	<b>388,722</b>
<b>JUSTICE SYSTEM</b>				
District Court:				
Personnel	204,507	205,442	205,254	188
Operating costs	56,050	56,050	43,458	12,592
Total District Court	260,557	261,492	248,712	12,780
County Court:				
Operating costs	19,500	23,372	22,708	664
Total County Court	19,500	23,372	22,708	664
Court Expenses:				
Personnel	80,832	80,949	74,398	6,551
Operating costs	327,120	369,276	298,478	70,798
Total Court Expenses	407,952	450,225	372,876	77,349
Capital Trials				
Operating costs	69,410	61,110	41,631	19,479



**MATAGORDA COUNTY**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total Captial Trials	69,410	61,110	41,631	19,479
District Clerk:				
Personnel	288,789	289,789	282,261	7,528
Operating costs	21,450	20,450	19,773	677
Total District Clerk	310,239	310,239	302,034	8,205
District Attorney:				
Personnel	602,425	621,633	618,983	2,650
Operating costs	62,750	80,111	58,722	21,389
Total District Attorney	665,175	701,744	677,705	24,039
County Attorney:				
Personnel	235,016	233,516	231,859	1,657
Operating costs	17,925	19,577	20,061	(484)
Total County Attorney	252,941	253,093	251,920	1,173
Justice of the Peace #1				
Personnel	161,059	160,559	161,863	(1,304)
Operating costs	10,800	12,500	12,163	337
Total Justice of the Peace #1	171,859	173,059	174,026	(967)
Justice of the Peace #2				
Personnel	161,572	158,576	156,231	2,345
Operating costs	22,380	27,672	23,999	3,673
Total Justice of the Peace #2	183,952	186,248	180,230	6,018
Justice of the Peace #3				
Personnel	155,935	159,535	159,012	523
Operating costs	8,750	8,750	7,388	1,362
Total Justice of the Peace #3	164,685	168,285	166,400	1,885
Justice of the Peace #4				
Personnel	125,579	128,779	121,820	6,959
Operating costs	8,740	8,740	7,759	981
Total Justice of the Peace #4	134,319	137,519	129,579	7,940
Justice of the Peace #6				
Personnel	30,559	30,559	24,417	6,142
Operating costs	6,550	7,000	6,862	138
Total Justice of the Peace #6	37,109	37,559	31,279	6,280
Law Library:				
Operating costs	21,000	21,000	19,208	1,792
Total Law Library	21,000	21,000	19,208	1,792
Child Support:				
Personnel	53,763	53,763	51,113	2,650
Operating costs	3,200	3,200	2,369	831
Total Child Support	56,963	56,963	53,482	3,481
Juvenile Probation Board:				
Personnel	37,506	47,306	47,155	151

**MATAGORDA COUNTY**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Total Juvenile Probation Board	37,506	47,306	47,155	151
Juvenile Probation:				
Personnel	48,462	48,462	45,194	3,268
Operating costs	218,250	228,140	209,789	18,351
Total Juvenile Probation	266,712	276,602	254,983	21,619
Unallocable by Department:				
Insurance	96,477	88,193	81,206	6,987
Appraisal fees	40,922	42,649	42,648	1
Autopsies	55,000	109,265	114,354	(5,089)
Retiree Insurance	121,247	124,856	124,800	56
Total unallocable by Department	313,646	364,963	363,008	1,955
<b>TOTAL JUSTICE SYSTEM</b>	<b>3,373,525</b>	<b>3,530,779</b>	<b>3,336,936</b>	<b>193,843</b>
<b>PUBLIC SAFETY</b>				
Constable Precinct #1:				
Personnel	21,319	21,319	21,318	1
Operating costs	13,120	11,361	2,835	8,526
Total Constable Precinct #1	34,439	32,680	24,153	8,527
Constable Precinct #2:				
Personnel	11,719	11,834	11,745	89
Operating costs	11,750	13,012	9,475	3,537
Total Constable Precinct #2	23,469	24,846	21,220	3,626
Constable Precinct #3:				
Personnel	14,779	14,779	12,781	1,998
Operating costs	4,730	6,704	4,489	2,215
Total Constable Precinct #3	19,509	21,483	17,270	4,213
Constable Precinct #4:				
Personnel	14,779	14,779	14,316	463
Operating costs	4,065	4,914	3,234	1,680
Total Constable Precinct #4	18,844	19,693	17,550	2,143
Constable Precinct #6:				
Personnel	21,319	21,319	21,219	100
Operating costs	9,000	9,884	9,880	4
Total Constable Precinct #6	30,319	31,203	31,099	104
County Sheriff:				
Personnel	2,523,508	2,707,795	2,671,856	35,939
Operating costs	433,550	406,199	345,265	60,934
Capital outlay	90,000	321,524	312,647	8,877
Total County Sheriff	3,047,058	3,435,518	3,329,768	105,750
Department of Public Safety:				
Operating costs	4,000	--	--	--
Total Department of Public Safety	4,000	--	--	--

**MATAGORDA COUNTY**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Game Wardens:				
Operating costs	33,400	33,400	33,378	22
Total Game Wardens	33,400	33,400	33,378	22
Fire Protection:				
Operating costs	49,000	60,625	60,244	381
Total Fire Protection	49,000	60,625	60,244	381
Emergency Management:				
Personnel	134,799	134,799	134,838	(39)
Operating costs	37,020	215,273	161,063	54,210
Capital outlay	--	52,061	52,061	--
Total Emergency Management	171,819	402,133	347,962	54,171
Unallocable by department:				
Insurance	100,942	92,273	84,964	7,309
Appraisal fees	42,816	44,622	44,622	--
Retiree insurance	167,880	172,877	172,800	77
Total unallocable by department	311,638	309,772	302,386	7,386
<b>TOTAL PUBLIC SAFETY</b>	<b>3,743,495</b>	<b>4,371,353</b>	<b>4,185,030</b>	<b>186,323</b>
<b>CORRECTIONS &amp; REHABILITATION</b>				
County Jail:				
Personnel	1,788,353	1,788,353	1,733,260	55,093
Operating costs	468,020	468,020	425,153	42,867
Total County Jail	2,256,373	2,256,373	2,158,413	97,960
Adult Probation:				
Operating costs	2,500	2,500	2,400	100
Total Adult Probation	2,500	2,500	2,400	100
Unallocable by department:				
Insurance	60,777	55,558	51,156	4,402
Appraisal fees	25,779	26,867	26,867	--
Retiree insurance	27,980	28,813	28,800	13
Total unallocable by department	114,536	111,238	106,823	4,415
<b>TOTAL CORRECTIONS &amp; REHABILITATION</b>	<b>2,373,409</b>	<b>2,370,111</b>	<b>2,267,636</b>	<b>102,475</b>
<b>HEALTH &amp; HUMAN SERVICES</b>				
Health Department:				
Personnel	293,943	292,443	282,517	9,926
Operating costs	47,935	134,729	75,882	58,847
Total Health Department	341,878	427,172	358,399	68,773
Animal Control:				
Personnel	85,181	85,181	78,002	7,179
Operating costs	92,951	92,951	85,962	6,989
Total Animal Control	178,132	178,132	163,964	14,168

**MATAGORDA COUNTY**

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Mental Health:				
Operating costs	35,419	35,419	35,419	--
Total Mental Health	35,419	35,419	35,419	--
Ambulance Service:				
Operating costs	597,275	592,575	592,575	--
Total Ambulance Service	597,275	592,575	592,575	--
Aid to Others:				
Economic Action Committee	33,000	33,000	33,000	--
Edith Armstrong Center	8,400	8,400	8,400	--
Friends of the Elderly Cemetery	10,900	10,900	10,900	--
Indigent Burials	3,000	3,000	3,000	--
Indigent Burials	2,000	9,000	3,550	5,450
Total Aid to Others	57,300	64,300	58,850	5,450
Veteran's Service Officer:				
Personnel	72,860	71,360	61,587	9,773
Operating costs	7,400	8,900	6,559	2,341
Total Veteran's Service Officer	80,260	80,260	68,146	12,114
Unallocable by department:				
Insurance	35,498	32,450	29,879	2,571
Appraisal fees	15,057	15,692	15,692	--
Retiree insurance	18,653	19,209	19,200	9
Total unallocable by department	69,208	67,351	64,771	2,580
<b>TOTAL HEALTH &amp; HUMAN SERVICES</b>	<b>1,359,472</b>	<b>1,445,209</b>	<b>1,342,124</b>	<b>103,085</b>
<b>COMMUNITY &amp; ECONOMIC DEVELOPMENT</b>				
521 Park:				
Operating costs	5,000	5,000	4,775	225
Total 521 Park	5,000	5,000	4,775	225
Marine Department:				
Personnel	102,068	102,068	82,552	19,516
Operating costs	71,700	848,650	90,610	758,040
Total Marine Department	173,768	950,718	173,162	777,556
Aid to Others:				
Economic Development	60,000	63,897	63,897	--
Bay City Library	200,000	200,000	200,000	--
Palacios Library	66,000	66,000	66,000	--
Matagorda County Museum	53,000	53,000	53,000	--
Matagorda Library	6,000	6,000	6,000	--
Museum	4,000	4,000	4,000	--
Service Center	3,591	3,591	3,591	--
Total Aid to Others	392,591	396,488	396,488	--
Agricultural Extension Service:				
Personnel	191,296	163,196	145,702	17,494
Operating costs	23,200	26,468	23,463	3,005
Total Agricultural Extension Service	214,496	189,664	169,165	20,499

**MATAGORDA COUNTY**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Home Economist Service:				
Personnel	141,517	142,414	112,548	29,866
Operating costs	5,500	5,435	4,607	828
Total Home Economist Service	147,017	147,849	117,155	30,694
County Fairgrounds:				
Personnel	42,729	42,729	42,574	155
Operating costs	76,100	86,100	79,454	6,646
Total County Fairgrounds	118,829	128,829	122,028	6,801
Unallocable by department:				
Insurance	32,769	29,954	27,581	2,373
Appraisal fees	13,899	14,486	14,486	--
Retiree insurance	46,633	48,021	48,000	21
Total unallocable by department	93,301	92,461	90,067	2,394
<b>TOTAL COMMUNITY &amp; ECONOMIC DEVELOPMENT</b>	<b>1,145,002</b>	<b>1,911,009</b>	<b>1,072,840</b>	<b>838,169</b>
<b>INFRASTRUCTURE &amp; ENVIRONMENTAL SERVICES</b>				
Transfer Station:				
Personnel	116,586	116,586	117,628	(1,042)
Operating costs	376,220	331,220	288,942	42,278
Total Transfer Station	492,806	447,806	406,570	41,236
Commissioner Precinct #1:				
Personnel	493,910	493,910	446,650	47,260
Operating costs	774,252	1,194,235	971,215	223,020
Capital outlay	--	5,000	--	5,000
Debt	75,899	75,899	75,595	304
Total Commissioner Precinct #1	1,344,061	1,769,044	1,493,460	275,584
Commissioner Precinct #2:				
Personnel	569,942	569,942	446,232	123,710
Operating costs	692,555	969,591	782,160	187,431
Capital outlay	22,000	22,000	14,416	7,584
Debt	65,553	134,721	130,949	3,772
Total Commissioner Precinct #2	1,350,050	1,696,254	1,373,757	322,497
Commissioner Precinct #3:				
Personnel	558,965	558,965	540,326	18,639
Operating costs	737,974	1,137,594	686,841	450,753
Capital outlay	--	23,000	22,678	322
Debt	52,906	52,906	52,906	--
Total Commissioner Precinct #3	1,349,845	1,772,465	1,302,751	469,714
Commissioner Precinct #4:				
Personnel	469,225	496,868	409,261	87,607
Operating costs	808,557	1,126,554	839,301	287,253
Capital outlay	--	249,152	249,152	--
Debt	67,480	67,480	67,479	1
Total Commissioner Precinct #4	1,345,262	1,940,054	1,565,193	374,861

**MATAGORDA COUNTY**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Right of Way Acquisition:				
Capital outlay	--	25,000	25,000	--
Total Right of Way Acquisition	--	25,000	25,000	--
Unallocable by department:				
Insurance	172,237	157,446	144,974	12,472
Appraisal fees	73,057	76,139	76,138	1
Retiree insurance	223,841	230,502	230,400	102
Total unallocable by department	469,135	464,087	451,512	12,575
<b>TOTAL INFRASTRUCTURE &amp; ENVIRONMENTAL SVCS</b>	6,351,159	8,114,710	6,618,243	1,496,467
Total Expenditures	22,100,392	25,981,059	22,671,975	3,309,084
Excess (deficiency) of revenues over (under) expenditures	6,995	(2,312,088)	532,058	2,844,146
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	--	27,501	27,500	(1)
Transfers out	(7,000)	(2,721,092)	(7,000)	2,714,092
Capital lease proceeds	--	72,907	--	(72,907)
Total other financing sources (uses)	(7,000)	(2,620,684)	20,500	2,641,184
Net change in fund balances	(5)	(4,932,772)	552,558	5,485,330
Fund balances - beginning	10,349,375	10,349,375	10,349,375	--
Fund balances - ending	\$ 10,349,370	\$ 5,416,603	\$ 10,901,933	\$ 5,485,330

**MATAGORDA COUNTY**  
**SCHEDULE OF CHANGES IN THE COUNTY'S**  
**NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS COUNTY DISTRICT RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total pension liability:										
Service cost	\$ 1,061,295	\$ 1,037,018	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Interest	3,949,923	3,723,454	--	--	--	--	--	--	--	--
Effect of plan changes	(163,313)	--	--	--	--	--	--	--	--	--
Effect of economic/demographic (gains) of losses	(710,572)	629,628	--	--	--	--	--	--	--	--
Changes of assumptions	559,506	--	--	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(2,868,547)	(2,734,719)	--	--	--	--	--	--	--	--
Net change in total pension liability	1,828,292	2,655,381	--	--	--	--	--	--	--	--
Total pension liability - beginning	49,456,273	46,800,892	--	--	--	--	--	--	--	--
Total pension liability - ending (a)	\$ 51,284,564	\$ 49,456,273	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Plan fiduciary net position:										
Contributions - employer	\$ 1,250,595	\$ 1,149,603	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions - employee	592,700	537,553	--	--	--	--	--	--	--	--
Net investment income	252,706	2,975,354	--	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(2,868,547)	(2,734,719)	--	--	--	--	--	--	--	--
Administrative expense	(32,500)	(34,335)	--	--	--	--	--	--	--	--
Other	(272,745)	427,673	--	--	--	--	--	--	--	--
Net change in plan fiduciary net position	(1,077,791)	2,321,129	--	--	--	--	--	--	--	--
Plan fiduciary net position - beginning	45,741,506	43,420,376	--	--	--	--	--	--	--	--
Plan fiduciary net position - ending (b)	\$ 44,663,715	\$ 45,741,505	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
County's net pension liability - ending (a) - (b)	\$ 6,620,850	\$ 3,714,768	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Plan fiduciary net position as a percentage of the total pension liability	87%	92%	--	--	--	--	--	--	--	--
Covered-employee payroll	\$ 8,467,148	\$ 7,679,332	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
County's net pension liability as a percentage of covered-employee payroll	78%	48%	--	--	--	--	--	--	--	--

Notes to Schedule:

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**MATAGORDA COUNTY**  
**SCHEDULE OF COUNTY CONTRIBUTIONS**  
**TEXAS COUNTY DISTRICT RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	\$ 1,250,595	\$ 1,149,603	\$ 1,039,449	\$ 952,777	\$ 960,737	\$ 947,990	\$ 872,032	\$ 813,562	\$ 765,997	\$ 743,511
Contributions in relation to the actuarially determined contribution	(1,250,595)	(1,149,603)	(1,039,449)	(952,777)	(960,831)	(947,990)	(872,032)	(813,562)	(765,997)	(743,511)
Contribution deficiency (excess)	\$ ---	\$ ---	\$ ---	\$ ---	\$ (94)	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
Covered-employee payroll	\$ 8,467,148	\$ 7,679,332	\$ 7,542,912	\$ 7,228,971	\$ 7,547,030	\$ 7,377,350	\$ 7,095,458	\$ 6,630,495	\$ 6,273,523	\$ 6,195,926
Contributions as a percentage of covered-employee payroll	14.80%	15.00%	13.78%	13.18%	12.73%	12.85%	12.29%	12.27%	12.21%	12.00%

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	level-percentage-of-covered-payroll basis over a closed period with a layered approach
Remaining amortization period	20 year closed
Asset valuation method	5-year smoothed market
Inflation	0
Salary increases	8.93%, average, including inflation
Investment rate of return	8.10%, net of pension plan investment expense, including inflation
Retirement age	Deferred members are assumed to retire (100% probability) at the later of: a) age 60 b) earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Mortality	(a) Depositing members the RP-2000 Active Employee Mortality Table; (b) Service retirees, beneficiaries and non-depositing members The



MATAGORDA COUNTY  
**REQUIRED SUPPLEMENTARY INFORMATION**  
 SCHEDULE OF FUNDING PROGRESS  
 YEAR ENDED DECEMBER 31, 2016

OTHER POST EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Proj Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/2011	\$ --	\$ 15,613,317	15,613,317	--	\$ 6,651,848	234.70%
01/01/2013	--	19,565,090	19,565,090	--	8,162,581	239.70%
01/01/2015	--	20,408,335	20,408,335	--	7,877,175	259.10%
01/01/2016	--	20,408,335	20,408,335	--	6,658,306	306.51%

## **MATAGORDA COUNTY**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

### **BUDGETARY BASIS OF ACCOUNTING**

Under GASBS No. 34, budgetary comparison information is required to be presented for the general fund and each major special revenue fund with a legally adopted budget. The County adopted a budget for the general fund using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The County did not adopt a budget for the CDBG Disaster Recovery major special revenue fund.

### **DEFINED BENEFIT PENSION PLAN**

#### Changes of benefit terms

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

#### Changes of assumptions

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

## Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



## Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

District Attorney Legal/Law -- This fund is used to account for the transactions related to hot check fees of the district attorney's office, funds awarded to the County from forfeitures and state funds for the district attorney.

Sheriff & Jail Discretionary -- This fund is used to account for the transactions related to forfeited funds and inmate commissary sales.

County Clerk Preservation & Automation -- This fund is used to account for the fees collected by the County Clerk for preservation and automation.

Countywide Records Management & Preservation -- This fund is used to account for fees collected by the County Clerk for records management and preservation.

Courthouse Security -- This fund is used to account for fees collected by the County Court, District Court and JP Court for courthouse security.

Justice Court Technology -- This fund is used to account for fees collected by the District Clerk specifically for justice court technology.

District Clerk Records Management & Preservation -- This fund is used to account for fees collected by the District Clerk for records management and preservation.

County and District Court Technology -- This fund is used to account for fees collected by the County Clerk specifically for county and district court technology.

Intergovernmental Grants -- This fund is used to account for federal and state grants passed through to other governments.

Historical Commission Grant -- This fund is used to account for grant proceeds and local match for the purpose of conducting an historic resource survey in Matagorda County.

Matagorda Water and Sewer -- This fund is used to account for the receipts and disbursements related to the Texas Community Development Grant for the purpose of wastewater system improvements within the Matagorda County limits in Matagorda, Texas.

Local Emergency Planning -- This fund was created to account for the activities of the Matagorda County Local Emergency Planning Committee (LEPC) which is to carry out those responsibilities specified by Public Law (PL) 99-499 and to implement other emergency plans or strategies as deemed appropriate.

Juvenile Probation Fund -- This fund is used to account for Texas Juvenile Probation Commission grant funds for administering the juvenile probation program.



**MATAGORDA COUNTY**  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 DECEMBER 31, 2016

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund Capital Improvements Fund	Total Nonmajor Governmental Funds (See
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,193,200	\$ 56,505	\$ 1,872,592	\$ 3,122,297
Receivables ( net of allowances for uncollectibles):				
Taxes	--	181,423	--	181,423
Other receivables	1,012	23,886	--	24,898
Total Assets	<u>\$ 1,194,212</u>	<u>\$ 261,814</u>	<u>\$ 1,872,592</u>	<u>\$ 3,328,618</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 2,375	\$ --	\$ 422,255	\$ 424,630
Due to other governments	1	--	--	1
Due to other funds	5,651	4,847	--	10,498
Due to others	66,309	--	--	66,309
Unearned revenue	201,000	--	--	201,000
Total Liabilities	<u>275,336</u>	<u>4,847</u>	<u>422,255</u>	<u>702,438</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - delinquent taxes	--	33,165	--	33,165
Unearned revenue - current taxes	--	197,800	--	197,800
Total deferred inflows of resources	<u>--</u>	<u>230,965</u>	<u>--</u>	<u>230,965</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted for:				
Capital projects	--	--	1,450,337	1,450,337
Debt service	--	26,002	--	26,002
Legislative purposes	918,876	--	--	918,876
Total Fund Balances (Deficits)	<u>918,876</u>	<u>26,002</u>	<u>1,450,337</u>	<u>2,395,215</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 1,194,212</u>	<u>\$ 261,814</u>	<u>\$ 1,872,592</u>	<u>\$ 3,328,618</u>





**MATAGORDA COUNTY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Funds	Debt Service Fund	Capital Projects Fund Capital Improvements Fund	Total Nonmajor Governmental Funds (See
<b>REVENUES</b>				
Taxes	\$ --	\$ 287,891	\$ --	\$ 287,891
Intergovernmental	362,814	--	--	362,814
Charges for services	262,612	--	--	262,612
Investment income	3,704	325	--	4,029
Miscellaneous	32,476	--	--	32,476
Total revenues	<u>661,606</u>	<u>288,216</u>	<u>--</u>	<u>949,822</u>
<b>EXPENDITURES</b>				
Current:				
General government	38,732	--	1,263,755	1,302,487
Justice system	203,850	--	--	203,850
Public safety	1,328	--	--	1,328
Corrections and rehabilitation	188,068	--	--	188,068
Community and economic development	2,015	--	--	2,015
Debt service:				
Principal	--	180,000	--	180,000
Interest and fees on debt	--	88,405	--	88,405
Total expenditures	<u>433,993</u>	<u>268,405</u>	<u>1,263,755</u>	<u>1,966,153</u>
Excess (deficiency) of revenues over (under) expenditures	<u>227,613</u>	<u>19,811</u>	<u>(1,263,755)</u>	<u>(1,016,331)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	7,000	--	--	7,000
Transfers out	(27,500)	--	--	(27,500)
Total other financing sources (uses)	<u>(20,500)</u>	<u>--</u>	<u>--</u>	<u>(20,500)</u>
Net change in fund balances	207,113	19,811	(1,263,755)	(1,036,831)
Fund balances - beginning	711,763	6,191	2,714,092	3,432,046
Fund balances - ending	<u>\$ 918,876</u>	<u>\$ 26,002</u>	<u>\$ 1,450,337</u>	<u>\$ 2,395,215</u>

**MATAGORDA COUNTY**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2016

	District Attorney Legal/Law	Sheriff & Jail Discretionary	County Clerk Preservation & Automation
<b>ASSETS</b>			
Cash and cash equivalents	\$ 121,738	\$ 115,433	\$ 514,781
Receivables ( net of allowances for uncollectibles):			
Other receivables	--	--	643
Total Assets	<u>\$ 121,738</u>	<u>\$ 115,433</u>	<u>\$ 515,424</u>
<b>LIABILITIES</b>			
Accounts payable	\$ --	\$ 135	\$ 1,288
Due to other governments	--	1	--
Due to other funds	--	50	--
Due to others	9,161	57,148	--
Unearned revenue	--	--	--
Total Liabilities	<u>9,161</u>	<u>57,334</u>	<u>1,288</u>
<b>FUND BALANCES (DEFICITS)</b>			
Restricted for:			
Legislative purposes	112,577	58,099	514,136
Total Fund Balances (Deficits)	<u>112,577</u>	<u>58,099</u>	<u>514,136</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 121,738</u>	<u>\$ 115,433</u>	<u>\$ 515,424</u>

Countywide Records Mgmt Preservation	Courthouse Security	Justice Court Technology	District Clerk Records Mgmt Preservation	County & District Court Technology
\$ 31,986	\$ 67,833	\$ 16,845	\$ 59,963	\$ 54,223
35	119	73	45	97
<u>\$ 32,021</u>	<u>\$ 67,952</u>	<u>\$ 16,918</u>	<u>\$ 60,008</u>	<u>\$ 54,320</u>
\$ --	\$ 774	\$ --	\$ --	\$ --
--	--	--	--	--
--	5,601	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>6,375</u>	<u>--</u>	<u>--</u>	<u>--</u>
32,021	61,577	16,918	60,008	54,320
<u>32,021</u>	<u>61,577</u>	<u>16,918</u>	<u>60,008</u>	<u>54,320</u>
<u>\$ 32,021</u>	<u>\$ 67,952</u>	<u>\$ 16,918</u>	<u>\$ 60,008</u>	<u>\$ 54,320</u>

**MATAGORDA COUNTY**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 DECEMBER 31, 2016

	Historical Commission Grant	Juvenile Probation Fund	Total Nonmajor Special Revenue Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,320	\$ 201,078	\$ 1,193,200
Receivables ( net of allowances for uncollectibles):			
Other receivables	--	--	1,012
Total Assets	<u>\$ 9,320</u>	<u>\$ 201,078</u>	<u>\$ 1,194,212</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 100	\$ 78	\$ 2,375
Due to other governments	--	--	1
Due to other funds	--	--	5,651
Due to others	--	--	66,309
Unearned revenue	--	201,000	201,000
Total Liabilities	<u>100</u>	<u>201,078</u>	<u>275,336</u>
<b>FUND BALANCES (DEFICITS)</b>			
Restricted for:			
Legislative purposes	9,220	--	918,876
Total Fund Balances (Deficits)	<u>9,220</u>	<u>--</u>	<u>918,876</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 9,320</u>	<u>\$ 201,078</u>	<u>\$ 1,194,212</u>

**MATAGORDA COUNTY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	District Attorney Legal/Law	Sheriff & Jail Discretionary	County Clerk Preservation & Automation
<b>REVENUES</b>			
Intergovernmental	\$ --	\$ --	\$ --
Charges for services	34,843	7,746	153,221
Investment income	328	25	2,026
Miscellaneous	--	32,426	--
Total revenues	<u>35,171</u>	<u>40,197</u>	<u>155,247</u>
<b>EXPENDITURES</b>			
Current:			
General government	--	--	32,208
Justice system	1,897	--	--
Public safety	--	1,328	--
Corrections and rehabilitation	--	17,405	--
Community and economic development	--	--	--
Total expenditures	<u>1,897</u>	<u>18,733</u>	<u>32,208</u>
Excess (deficiency) of revenues over (under) expenditures	<u>33,274</u>	<u>21,464</u>	<u>123,039</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	--	--	--
Transfers out	(27,500)	--	--
Total other financing sources (uses)	<u>(27,500)</u>	<u>--</u>	<u>--</u>
Net change in fund balances	5,774	21,464	123,039
Fund balances - beginning	106,803	36,635	391,097
Fund balances - ending	<u>\$ 112,577</u>	<u>\$ 58,099</u>	<u>\$ 514,136</u>

Countywide Records Mgmt Preservation	Courthouse Security	Justice Court Technology	District Clerk Records Mgmt Preservation	County & District Court Technology
\$ --	\$ --	\$ --	\$ --	\$ --
12,147	20,231	8,278	10,718	15,428
119	272	57	264	215
--	--	--	--	--
<u>12,266</u>	<u>20,503</u>	<u>8,335</u>	<u>10,982</u>	<u>15,643</u>
870	5,654	--	--	--
--	--	--	5,098	4,349
--	--	--	--	--
--	--	--	--	--
<u>870</u>	<u>5,654</u>	<u>--</u>	<u>5,098</u>	<u>4,349</u>
11,396	14,849	8,335	5,884	11,294
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
11,396	14,849	8,335	5,884	11,294
20,625	46,728	8,583	54,124	43,026
<u>\$ 32,021</u>	<u>\$ 61,577</u>	<u>\$ 16,918</u>	<u>\$ 60,008</u>	<u>\$ 54,320</u>

**MATAGORDA COUNTY**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Historical Commission Grant	Juvenile Probation Fund	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>			
Intergovernmental	\$ --	\$ 362,814	\$ 362,814
Charges for services	--	--	262,612
Investment income	43	355	3,704
Miscellaneous	50	--	32,476
Total revenues	<u>93</u>	<u>363,169</u>	<u>661,606</u>
<b>EXPENDITURES</b>			
Current:			
General government	--	--	38,732
Justice system	--	192,506	203,850
Public safety	--	--	1,328
Corrections and rehabilitation	--	170,663	188,068
Community and economic development	2,015	--	2,015
Total expenditures	<u>2,015</u>	<u>363,169</u>	<u>433,993</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,922)</u>	<u>--</u>	<u>227,613</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	7,000	--	7,000
Transfers out	--	--	(27,500)
Total other financing sources (uses)	<u>7,000</u>	<u>--</u>	<u>(20,500)</u>
Net change in fund balances	5,078	--	207,113
Fund balances - beginning	4,142	--	711,763
Fund balances - ending	<u>\$ 9,220</u>	<u>\$ --</u>	<u>\$ 918,876</u>

**MATAGORDA COUNTY**

DA LEGAL LAW

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for services	\$ 45,665	\$ 34,843	\$ (10,822)
Investment income	400	328	(72)
Total revenues	<u>46,065</u>	<u>35,171</u>	<u>(10,894)</u>
<b>EXPENDITURES</b>			
<b>JUSTICE SYSTEM</b>			
District Attorney:			
Operating costs	<u>17,624</u>	<u>1,897</u>	<u>15,727</u>
Total District Attorney	<u>17,624</u>	<u>1,897</u>	<u>15,727</u>
<b>TOTAL JUSTICE SYSTEM</b>	<u>17,624</u>	<u>1,897</u>	<u>15,727</u>
Total Expenditures	<u>17,624</u>	<u>1,897</u>	<u>15,727</u>
Excess (deficiency) of revenues over (under) expenditures	<u>28,441</u>	<u>33,274</u>	<u>4,833</u>
Transfers out	<u>(27,500)</u>	<u>(27,500)</u>	<u>--</u>
Total other financing sources (uses)	<u>(27,500)</u>	<u>(27,500)</u>	<u>--</u>
Net change in fund balances	941	5,774	4,833
Fund balances - beginning	106,803	106,803	--
Fund balances - ending	<u>\$ 107,744</u>	<u>\$ 112,577</u>	<u>\$ 4,833</u>



**MATAGORDA COUNTY**  
 SHERIFF & JAIL DISCRETIONARY  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for services	\$ 13,021	\$ 7,746	\$ (5,275)
Investment income	100	25	(75)
Miscellaneous	<u>38,000</u>	<u>32,426</u>	<u>(5,574)</u>
Total revenues	<u>51,121</u>	<u>40,197</u>	<u>(10,924)</u>
<b>EXPENDITURES</b>			
<b>PUBLIC SAFETY</b>			
County Sheriff:			
Operating costs	<u>22,121</u>	<u>1,328</u>	<u>20,793</u>
Total County Sheriff	<u>22,121</u>	<u>1,328</u>	<u>20,793</u>
<b>TOTAL PUBLIC SAFETY</b>	<u>22,121</u>	<u>1,328</u>	<u>20,793</u>
<b>CORRECTIONS &amp; REHABILITATION</b>			
County Jail:			
Operating costs	<u>29,000</u>	<u>17,405</u>	<u>11,595</u>
Total County Jail	<u>29,000</u>	<u>17,405</u>	<u>11,595</u>
<b>TOTAL CORRECTIONS &amp; REHABILITATION</b>	<u>29,000</u>	<u>17,405</u>	<u>11,595</u>
Total Expenditures	<u>51,121</u>	<u>18,733</u>	<u>32,388</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>21,464</u>	<u>21,464</u>
Net change in fund balances	--	21,464	21,464
Fund balances - beginning	36,635	36,635	--
Fund balances - ending	<u>\$ 36,635</u>	<u>\$ 58,099</u>	<u>\$ 21,464</u>

**MATAGORDA COUNTY**  
COUNTY CLERK PRESERVATION & AUTOMATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for services	\$ 151,000	\$ 153,221	\$ 2,221
Investment income	400	2,026	1,626
Total revenues	<u>151,400</u>	<u>155,247</u>	<u>3,847</u>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
County Clerk:			
Operating costs	243,720	32,208	211,512
Total County Clerk	<u>243,720</u>	<u>32,208</u>	<u>211,512</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>243,720</u>	<u>32,208</u>	<u>211,512</u>
Total Expenditures	<u>243,720</u>	<u>32,208</u>	<u>211,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(92,320)</u>	<u>123,039</u>	<u>215,359</u>
Net change in fund balances	(92,320)	123,039	215,359
Fund balances - beginning	391,097	391,097	--
Fund balances - ending	<u>\$ 298,777</u>	<u>\$ 514,136</u>	<u>\$ 215,359</u>

**MATAGORDA COUNTY**  
COUNTYWIDE RECORDS MANAGEMENT/PRESERVATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for services	\$ 10,000	\$ 12,147	\$ 2,147
Investment income	1,250	119	(1,131)
Total revenues	<u>11,250</u>	<u>12,266</u>	<u>1,016</u>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
County Courthouse:			
Operating costs	11,250	870	10,380
Total County Courthouse	<u>11,250</u>	<u>870</u>	<u>10,380</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>11,250</u>	<u>870</u>	<u>10,380</u>
Total Expenditures	<u>11,250</u>	<u>870</u>	<u>10,380</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>11,396</u>	<u>11,396</u>
Net change in fund balances	--	11,396	11,396
Fund balances - beginning	20,625	20,625	--
Fund balances - ending	<u>\$ 20,625</u>	<u>\$ 32,021</u>	<u>\$ 11,396</u>

**MATAGORDA COUNTY**  
 COURTHOUSE SECURITY  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for services	\$ 19,000	\$ 20,231	\$ 1,231
Investment income	200	272	72
Total revenues	<u>19,200</u>	<u>20,503</u>	<u>1,303</u>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
County Courthouse:			
Operating costs	17,000	5,654	11,346
Total County Courthouse	<u>17,000</u>	<u>5,654</u>	<u>11,346</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>17,000</u>	<u>5,654</u>	<u>11,346</u>
Total Expenditures	<u>17,000</u>	<u>5,654</u>	<u>11,346</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,200</u>	<u>14,849</u>	<u>12,649</u>
Net change in fund balances	2,200	14,849	12,649
Fund balances - beginning	46,728	46,728	--
Fund balances - ending	<u>\$ 48,928</u>	<u>\$ 61,577</u>	<u>\$ 12,649</u>

**MATAGORDA COUNTY**  
 JUSTICE COURT TECHNOLOGY  
 SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Charges for services	\$ 8,500	\$ 8,278	\$ (222)
Investment income	<u>500</u>	<u>57</u>	<u>(443)</u>
Total revenues	<u>9,000</u>	<u>8,335</u>	<u>(665)</u>
<b>EXPENDITURES</b>			
<b>JUSTICE SYSTEM</b>			
Justice Court Technology:			
Operating costs	<u>9,000</u>	<u>--</u>	<u>9,000</u>
Total Justice Court Technology	<u>9,000</u>	<u>--</u>	<u>9,000</u>
<b>TOTAL JUSTICE SYSTEM</b>	<u>9,000</u>	<u>--</u>	<u>9,000</u>
Total Expenditures	<u>9,000</u>	<u>--</u>	<u>9,000</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>8,335</u>	<u>8,335</u>
Net change in fund balances	--	8,335	8,335
Fund balances - beginning	8,583	8,583	--
Fund balances - ending	<u>\$ 8,583</u>	<u>\$ 16,918</u>	<u>\$ 8,335</u>

**MATAGORDA COUNTY**  
DISTRICT CLERK RECORDS MGMT/PRESERVATION  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for services	\$ 5,600	\$ 10,718	\$ 5,118
Investment income	200	264	64
<b>Total revenues</b>	<u>5,800</u>	<u>10,982</u>	<u>5,182</u>
<b>EXPENDITURES</b>			
<b>JUSTICE SYSTEM</b>			
District Clerk:			
Personnel	1,579	5,098	(3,519)
Operating costs	5,800	--	5,800
<b>Total District Clerk</b>	<u>7,379</u>	<u>5,098</u>	<u>2,281</u>
<b>TOTAL JUSTICE SYSTEM</b>	<u>7,379</u>	<u>5,098</u>	<u>2,281</u>
<b>Total Expenditures</b>	<u>7,379</u>	<u>5,098</u>	<u>2,281</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,579)</u>	<u>5,884</u>	<u>7,463</u>
Net change in fund balances	(1,579)	5,884	7,463
Fund balances - beginning	54,124	54,124	--
Fund balances - ending	<u>\$ 52,545</u>	<u>\$ 60,008</u>	<u>\$ 7,463</u>

**MATAGORDA COUNTY**  
COUNTY & DISTRICT COURT TECHNOLOGY  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for services	\$ 7,500	\$ 15,428	\$ 7,928
Investment income	160	215	55
Total revenues	<u>7,660</u>	<u>15,643</u>	<u>7,983</u>
<b>EXPENDITURES</b>			
<b>GENERAL GOVERNMENT</b>			
County Clerk:			
Operating costs	7,000	--	7,000
Total County Clerk	<u>7,000</u>	<u>--</u>	<u>7,000</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>7,000</u>	<u>--</u>	<u>7,000</u>
<b>JUSTICE SYSTEM</b>			
District Clerk:			
Operating costs	4,860	4,349	511
Total District Clerk	<u>4,860</u>	<u>4,349</u>	<u>511</u>
<b>TOTAL JUSTICE SYSTEM</b>	<u>4,860</u>	<u>4,349</u>	<u>511</u>
Total Expenditures	<u>11,860</u>	<u>4,349</u>	<u>7,511</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,200)</u>	<u>11,294</u>	<u>15,494</u>
Net change in fund balances	(4,200)	11,294	15,494
Fund balances - beginning	43,026	43,026	--
Fund balances - ending	<u>\$ 38,826</u>	<u>\$ 54,320</u>	<u>\$ 15,494</u>

**MATAGORDA COUNTY**  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 184,221	\$ 287,891	\$ 103,670
Investment income	--	325	325
Total revenues	<u>184,221</u>	<u>288,216</u>	<u>103,995</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal	180,000	180,000	--
Interest	4,221	88,405	(84,184)
Total debt service	<u>184,221</u>	<u>268,405</u>	<u>(84,184)</u>
Total Expenditures	<u>184,221</u>	<u>268,405</u>	<u>(84,184)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>19,811</u>	<u>19,811</u>
Net change in fund balances	--	19,811	19,811
Fund balances - beginning	6,191	6,191	--
Fund balances - ending	<u>\$ 6,191</u>	<u>\$ 26,002</u>	<u>\$ 19,811</u>



## *Fiduciary Funds*

Fiduciary funds are used to account for funds held in a trustee or agency capacity for the benefit of others and therefore cannot be used to support the government's own programs. Fiduciary funds include pension trust funds, investment funds, private-purpose trust funds and agency funds. The County is only combining agency funds as defined below.

County Clerk Trust Fund -- This fund is used to account for County Court awards for the benefit of minors or others considered by the County Court to be incapable of handling the award individually.

District Clerk Trust Fund -- This fund is used to account for District Court awards for the benefit of minors or others considered by the District Court to be incapable of handling the award individually.

Inmate Trust Fund -- This fund is used to account for money held on behalf of inmates booked into the County jail.

Tax Assessor Collector -- This fund is used as a clearing account for the receipt and disbursement of tax collected by the County Tax Assessor Collector on behalf of other governmental entities.

**MATAGORDA COUNTY**

## COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

## AGENCY FUNDS

DECEMBER 31, 2016

	County Clerk Trust	District Clerk Trust
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,145	\$ 2,659,324
Total Assets	<u>\$ 12,145</u>	<u>\$ 2,659,324</u>
<b>LIABILITIES</b>		
Due to other governments	\$ --	\$ --
Due to others	12,145	2,659,324
Total Liabilities	<u>12,145</u>	<u>2,659,324</u>
<b>NET POSITION</b>		
Unrestricted	--	--
Total Net Position	<u>\$ --</u>	<u>\$ --</u>

Inmate Trust Fund	Tax Assessor Collector	Adult Probation Fund	Total Agency Funds
\$ 37,669	\$ 219,488	\$ 736,700	\$ 3,665,326
<u>\$ 37,669</u>	<u>\$ 219,488</u>	<u>\$ 736,700</u>	<u>\$ 3,665,326</u>
\$ --	\$ 219,169	\$ 736,700	\$ 955,869
37,669	319	--	2,709,457
<u>37,669</u>	<u>219,488</u>	<u>736,700</u>	<u>3,665,326</u>
--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

**MATAGORDA COUNTY**

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2016

	Balance December 31 2015	Additions	Deductions	Balance December 31 2016
<b>COUNTY CLERK TRUST FUNDS</b>				
<b>ASSETS</b>				
Cash & investments	220,848	\$ 2,791	\$ 211,495	\$ 12,144
Total Assets	<u>\$ 220,848</u>	<u>\$ 2,791</u>	<u>\$ 211,495</u>	<u>\$ 12,144</u>
<b>LIABILITIES</b>				
Due to others	\$ 220,848	\$ 2,791	\$ 211,495	\$ 12,144
Total Liabilities	<u>\$ 220,848</u>	<u>\$ 2,791</u>	<u>\$ 211,495</u>	<u>\$ 12,144</u>
<b>DISTRICT CLERK TRUST FUNDS</b>				
<b>ASSETS</b>				
Cash & investments	\$ 3,262,272	\$ 94,694	\$ 697,642	\$ 2,659,324
Total Assets	<u>\$ 3,262,272</u>	<u>\$ 94,694</u>	<u>\$ 697,642</u>	<u>\$ 2,659,324</u>
<b>LIABILITIES</b>				
Due to others	\$ 3,262,272	\$ 94,694	\$ 697,642	\$ 2,659,324
Total Liabilities	<u>\$ 3,262,272</u>	<u>\$ 94,694</u>	<u>\$ 697,642</u>	<u>\$ 2,659,324</u>
<b>INMATE TRUST FUND</b>				
<b>ASSETS</b>				
Cash & investments	\$ 31,103	\$ 177,341	\$ 170,775	\$ 37,669
Total Assets	<u>\$ 31,103</u>	<u>\$ 177,341</u>	<u>\$ 170,775</u>	<u>\$ 37,669</u>
<b>LIABILITIES</b>				
Due to others	\$ 31,103	\$ 177,341	\$ 170,775	\$ 37,669
Total Liabilities	<u>\$ 31,103</u>	<u>\$ 177,341</u>	<u>\$ 170,775</u>	<u>\$ 37,669</u>
<b>TAX ASSESSOR COLLECTOR</b>				
<b>ASSETS</b>				
Cash & investments	\$ 191,482	\$ 354,993	\$ 326,987	\$ 219,488
Total Assets	<u>\$ 191,482</u>	<u>\$ 354,993</u>	<u>\$ 326,987</u>	<u>\$ 219,488</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 191,366	\$ 437,836	\$ 410,033	\$ 219,169
Due to others	116	5,621	5,418	319
Total Liabilities	<u>\$ 191,482</u>	<u>\$ 443,457</u>	<u>\$ 415,451</u>	<u>\$ 219,488</u>
<b>ADULT PROBATION</b>				
<b>ASSETS</b>				
Cash & investments	\$ 672,367	\$ 2,808,152	\$ 2,743,819	\$ 736,700
Total Assets	<u>\$ 672,367</u>	<u>\$ 2,808,152</u>	<u>\$ 2,743,819</u>	<u>\$ 736,700</u>
<b>LIABILITIES</b>				
Due to others	\$ 672,367	\$ 3,324,778	\$ 3,260,445	\$ 736,700
Total Liabilities	<u>\$ 672,367</u>	<u>\$ 3,324,778</u>	<u>\$ 3,260,445</u>	<u>\$ 736,700</u>
<b>TOTAL AGENCY FUNDS:</b>				
<b>ASSETS</b>				
Cash & investments	\$ 4,378,072	\$ 3,437,971	\$ 4,150,718	\$ 3,665,325
Total Assets	<u>\$ 4,378,072</u>	<u>\$ 3,437,971</u>	<u>\$ 4,150,718</u>	<u>\$ 3,665,325</u>
<b>LIABILITIES</b>				
Due to other governments	\$ 191,366	\$ 437,836	\$ 410,033	\$ 219,169
Due to others	4,186,706	3,605,225	4,345,775	3,446,156
Total Liabilities	<u>\$ 4,378,072</u>	<u>\$ 4,043,061</u>	<u>\$ 4,755,808</u>	<u>\$ 3,665,325</u>

## Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.



# Harry Afadapa & Associates, P.C.

Certified Public Accountants

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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*

To the Commissioners  
Matagorda County  
1700 Seventh Street  
Bay City, Texas 77414

Members of the To the Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Matagorda County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Matagorda County's basic financial statements, and have issued our report thereon dated June 26, 2017.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Matagorda 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 Matagorda County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Matagorda County's internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Matagorda 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*.

We noted certain matter that we reported to management and those charged with Governance of Matagorda County in a separate letter dated June 26, 2017.

**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.

Respectfully submitted,

Harry Afadapa & Associates, PC

Bay City, Texas  
June 26, 2017



# Harry Afadapa & Associates, P.C.

Certified Public Accountants

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## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Federal and State Uniform Guidance

To the Commissioners  
Matagorda County  
1700 Seventh Street  
Bay City, Texas 77414

Members of the To the Commissioners:

### **Report on Compliance for Each Major Federal Program**

We have audited the Matagorda County's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Matagorda County's major federal and state programs for the year ended December 31, 2016. Matagorda County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Matagorda County's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principle and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referenced to above that could have a direct and material effect on a major federal or federal program occurred. An audit includes examining, on a test basis, evidence about the Matagorda County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Matagorda County's compliance.

## Opinion on Each Major Federal and State Program

In our opinion, the Matagorda County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs indentified in the summary of auditor's result section of the accompanying schedule of finding and questioned cost for [the year ended December 31, 2016.

## Report on Internal Control Over Compliance

Management of the Matagorda County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Matagorda County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Matagorda County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiency, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with goverance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Harry Afadapa & Associates, PC

Bay City, Texas  
June 26, 2017

**MATAGORDA COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?      Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

Noncompliance material to financial statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?      Yes   X   No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes   X   None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?      Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal or State Program or Cluster</u>
97.039	Hazard Mitigation Grant
14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   Yes      No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE



**MATAGORDA COUNTY**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanatio If Not Implemented</u>
<b>2015-001</b> Not all payroll samples tested were supported with approved payroll change notices and /or were properly calculated for overtime in accordance with policies.	Completed	
<b>2015-002</b> Not all cash reconciliations agreed with the general ledger with reconciling errors that have not been cleared and /or corrected.	Completed	



**MATAGORDA COUNTY**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal or State Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through or State Number	Pass-Through to Subrecipients	Federal or State Expenditures
<b>FEDERAL AWARDS</b>				
<u>U. S. DEPARTMENT OF THE INTERIOR</u>				
Direct Programs:				
Coastal Impact Assistance Program - Tres Palacios Study	15.426	F12AF0082-0001	\$ 75,550	\$ 75,550
Coastal Impact Assistance Program - Gulf Pier	15.668	F13AF00061-0001	--	20,863
Coastal Impact Assistance Program - Palacios Ed Pavilion	15.668	F13AF00080-0001	688,814	688,814
Total Direct Programs			<u>764,364</u>	<u>785,227</u>
Total U. S. Department of the Interior			<u>764,364</u>	<u>785,227</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>				
-Pass through: Texas-Office of Governor				
SCAAP program	16.605	2015-H1202-TX-AP	--	2,557
Governor's Criminal Justice Division	16.540		22,879	22,879
Victims of Crime Act Formula grant	16.575		--	6,490
Forensic Equipment Project	16.738		--	30,212
<b>Total U. S. Department of Justice</b>			<u>22,879</u>	<u>62,138</u>
<u>U. S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT</u>				
Passed Through Texas Department of Agriculture				
*Community Development Block Grant - Texas Capital Grant	14.228	713082	--	1,236,290
Total Passed Through Texas Department of Agriculture			<u>--</u>	<u>1,236,290</u>
<b>Total U. S. Department of Housing &amp; Urban Development</b>			<u>--</u>	<u>1,236,290</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>				
Immigration and Custom's Enforcement (ICE)	**		--	5,995
Passed Through Texas Department of Public Safety				
Emergency Management Performance Grant	97.042	15TX-EMPG-0528	--	34,791
Homeland Security Grant Program	97.042	14-SR-48321-01		144,147
Hazard Mitigation	97.039	DR-1791-323	3,437,035	3,437,035
Hazard Mitigation	97.039	DR-1791-324	1,645,363	1,645,363
Total Passed Through Texas Department of Public Safety			<u>5,082,398</u>	<u>5,261,336</u>
<b>Total U. S. Department of Homeland Security</b>			<u>5,082,398</u>	<u>5,267,331</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed Through Texas Dept of Family & Protective Services:				
Foster Care Title IV-E - Welfare	93.658	23940146		5,006
Foster Care Title IV-E - Legal	93.658	23940147		17,668
Total Passed Through Texas Dept of Family & Protective Services			<u>--</u>	<u>22,674</u>
<b>Total U. S. Department of Health and Human Services</b>			<u>--</u>	<u>22,674</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,869,641</u>	<u>\$ 7,373,660</u>

\*\* -Not provided

**MATAGORDA COUNTY**

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal or State Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through or State Number	Pass-Through to Subrecipients	Federal or State Expenditures
<b>STATE AWARDS</b>				
<u>TEXAS DEPARTMENT OF PUBLIC SAFETY</u>				
Operation Border Star	N/A	LBSP-15-00XX		56,092
Stonegarden Grant- pass thru Victoria County	N/A	13-GA-48469-2	--	28,991
Total Texas Department of Public Safety			--	<u>85,083</u>
<u>TEXAS INDIGENT DEFENSE COMMISSION</u>				
Indigent Defense	N/A	221-15-161	--	28,943
				<u>28,943</u>
<u>TEXAS JUVENILE JUSTICE DIVISION</u>				
Commitment Reduction Program	N/A	TJJD-A-2016-161 a		20,821
Commitment Reduction Program	N/A	TJJD-A-2017-161 b		9,860
Basic Probation	N/A	TJJD-A-2016-161 a		90,234
Basic Probation	N/A	TJJD-A-2017-161 b		44,144
Mental Health	N/A	TJJD-A-2016-161 a		11,490
Mental Health	N/A	TJJD-A-2017-161 b		9,871
Community Programs	N/A	TJJD-A-2016-161 a		77,157
Community Programs	N/A	TJJD-A-2017-161 b		31,805
Pre & Post Adjudicaton	N/A	TJJD-A-2016-161 a		46,219
Pre & Post Adjudicaton	N/A	TJJD-A-2017-161 b		15,482
Regional Diversion Alternative	N/A	TJJD-R-2016-161 a		4,840
Total Texas Juvenile Justice Division			--	<u>361,923</u>
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>			\$ --	\$ <u>475,949</u>

- a 8 months 2016 grant year {January thru August}
- b 4 months 2017 grant year {September thru December}

The accompanying notes are an integral part of this schedule.



## **MATAGORDA COUNTY**

### **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2016**

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Matagorda County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



# STATISTICAL SECTION

This part of the Matagorda County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the County's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	89-92
These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.	
Revenue Capacity	93-96
These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.	
Debt Capacity	97-100
These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.	
Demographic and Economic Information	101-102
These schedules offer demographic and economic indicators to help the reader understand how the County's financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	103-105
These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



**MATAGORDA COUNTY**  
NET POSITION BY COMPONENT  
LAST TEN YEARS  
(ACCURAL BASIS OF ACCOUNTING)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net Investment in Capital Assets	\$ 21,151,366	\$ 20,506,971	\$ 19,522,703	\$ 17,819,411	\$ 16,381,686	\$ 16,401,437	\$ 15,782,772	\$ 17,259,548	\$ 23,077,392	\$ 20,110,391
Restricted	--	5,594	5,034	3,978	1,096,131	935,092	816,242	842,358	3,447,500	2,393,253
Unrestricted	10,373,595	10,395,793	9,800,301	8,393,819	6,238,050	5,812,670	5,930,480	5,973,418	2,236,338	2,241,129
Total Governmental Activities Net Position	\$ 31,524,961	\$ 30,908,358	\$ 29,328,038	\$ 26,217,208	\$ 23,715,867	\$ 23,149,199	\$ 22,529,494	\$ 24,075,324	\$ 28,761,230	\$ 24,744,773

Governmental Activities

**MATAGORDA COUNTY**  
**CHANGES IN NET POSITION**  
**LAST TEN FISCAL YEARS**  
**(ACCRUAL BASIS OF ACCOUNTING)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,374,168	\$ 2,303,706	\$ 2,800,507	\$ 2,916,150	\$ 3,238,152	\$ 3,573,090	\$ 3,564,536	\$ 4,030,366	\$ 4,414,046	\$ 4,594,032
Justice system	2,931,754	2,965,507	3,402,444	3,673,061	3,617,128	3,393,214	3,492,513	3,652,376	4,085,240	4,008,884
Public safety	3,231,579	3,245,747	3,846,603	3,301,813	3,441,085	3,379,800	3,612,977	3,892,339	4,279,120	4,404,045
Corrections and rehabilitation	2,638,771	2,363,299	2,229,983	2,396,893	2,246,252	2,036,930	2,261,328	2,334,817	2,575,842	2,692,576
Health and human services	1,180,040	1,219,112	1,283,782	1,397,815	1,364,578	1,354,286	1,390,657	1,418,957	1,508,231	1,450,050
Community and economic development	1,325,564	1,167,753	1,597,919	2,002,462	2,289,523	1,324,645	5,213,574	1,160,109	1,382,101	1,210,022
Infrastructure and environmental services	6,896,776	5,922,408	6,335,128	7,742,526	6,881,349	5,671,712	6,342,332	5,228,877	6,158,182	8,580,302
Intergovernmental	--	--	--	--	290,001	2,604,849	566,199	2,304,056	1,191,733	7,130,930
Interest on Long-Term Debt	66,736	59,224	53,070	46,788	40,020	37,868	30,073	29,542	154,903	124,987
<b>Total governmental activities expenses</b>	<b>\$ 20,645,388</b>	<b>\$ 19,246,756</b>	<b>\$ 21,549,436</b>	<b>\$ 23,477,498</b>	<b>\$ 23,408,088</b>	<b>\$ 23,376,394</b>	<b>\$ 26,474,189</b>	<b>\$ 24,051,439</b>	<b>\$ 25,749,398</b>	<b>\$ 34,195,828</b>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General government	\$ 1,241,621	\$ 1,363,971	\$ 1,241,539	\$ 1,234,096	\$ 1,227,359	\$ 1,283,268	\$ 1,304,741	\$ 1,325,694	\$ 1,388,439	\$ 1,373,609
Justice system	1,209,619	1,422,866	1,069,513	682,049	897,829	783,258	1,062,915	1,374,752	1,972,518	248,067
Public safety	3,786,690	3,471,050	3,266,384	3,196,198	3,157,683	3,226,989	3,323,250	3,398,955	3,292,142	2,821,947
Corrections and rehabilitation	95,872	90,155	145,540	267,029	128,297	93,515	109,428	140,975	154,935	179,924
Health and human services	50,937	57,506	45,980	70,070	63,717	61,074	63,339	72,083	64,854	72,149
Community and economic development	116,050	124,171	144,380	205,118	196,767	200,410	188,626	180,042	228,692	214,760
Infrastructure and environmental services	71,490	66,402	83,753	387,145	278,522	112,564	129,682	352,573	411,784	392,615
Operating Grants and Contributions	1,796,638	1,661,296	2,500,369	2,214,978	2,214,978	4,251,542	5,511,435	1,322,719	1,225,197	1,065,975
Capital Grants and Contributions	318,103	--	--	--	--	--	165,879	2,870,484	8,441,394	7,100,204
<b>Total Governmental Activities Program Revenues</b>	<b>\$ 8,687,020</b>	<b>\$ 8,257,417</b>	<b>\$ 8,497,458</b>	<b>\$ 8,425,414</b>	<b>\$ 8,165,152</b>	<b>\$ 10,012,620</b>	<b>\$ 11,859,295</b>	<b>\$ 11,038,277</b>	<b>\$ 17,179,955</b>	<b>\$ 13,469,250</b>
<b>Net (Expense)/Revenue</b>										
Governmental Activities	\$ (11,958,368)	\$ (10,989,339)	\$ (13,051,978)	\$ (15,052,084)	\$ (15,242,936)	\$ (13,363,774)	\$ (14,614,894)	\$ (13,013,162)	\$ (8,569,443)	\$ (20,726,578)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property taxes	\$ 9,194,415	\$ 9,921,906	\$ 11,160,539	\$ 11,501,213	\$ 12,243,775	\$ 12,758,819	\$ 13,792,189	\$ 14,269,367	\$ 15,272,676	\$ 16,392,558
Miscellaneous	104,940	70,657	65,041	99,083	267,556	33,357	97,781	107,161	46,471	144,532
Unrestricted investment earnings	793,926	380,173	246,078	340,958	230,264	133,153	165,217	182,468	167,131	173,033
<b>Total Governmental Activities</b>	<b>\$ 10,093,281</b>	<b>\$ 10,372,736</b>	<b>\$ 11,471,658</b>	<b>\$ 11,941,254</b>	<b>\$ 12,741,595</b>	<b>\$ 12,925,329</b>	<b>\$ 13,995,187</b>	<b>\$ 14,558,996</b>	<b>\$ 15,486,278</b>	<b>\$ 16,710,123</b>
Change in Net Position	\$ (1,865,087)	\$ (616,603)	\$ (1,580,320)	\$ (3,110,830)	\$ (2,501,341)	\$ (438,445)	\$ (619,707)	\$ 1,545,834	\$ 6,916,935	\$ (4,016,455)
Governmental Activities										

**MATAGORDA COUNTY**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Non-Spendable	\$ --	\$ --	\$ --	\$ 282,669	\$ 292,680	\$ 387,339	\$ 337,048	\$ 617,348	\$ 937,646	\$ 408,330
Committed	--	--	--	--	931,516	1,027,113	1,224,842	1,654,219	1,788,128	1,436,849
Unassigned	--	--	--	--	6,014,110	6,896,050	8,088,794	7,925,903	7,623,601	9,056,754
Unreserved	7,542,080	7,496,109	7,419,087	6,684,356	--	--	--	--	--	--
Total General Fund	\$ 7,542,080	\$ 7,496,109	\$ 7,419,087	\$ 6,967,025	\$ 7,238,306	\$ 8,310,502	\$ 9,650,684	\$ 10,197,470	\$ 10,349,375	\$ 10,901,933
All Other Governmental Funds										
Restricted	\$ --	\$ --	\$ --	\$ --	\$ 1,103,170	\$ 894,586	\$ 816,480	\$ 829,824	\$ 3,432,048	\$ 2,395,215
Reserved	--	817	4,924	7,505	--	--	--	--	--	--
Unreserved, Reported In:										
Special Revenue Funds	968,729	1,066,974	1,072,242	1,092,752	--	--	--	--	--	--
Debt Service Funds	(33,467)	--	--	--	--	--	--	--	--	--
Total All Other Governmental Funds	\$ 935,262	\$ 1,067,791	\$ 1,077,166	\$ 1,100,257	\$ 1,103,170	\$ 894,586	\$ 816,480	\$ 829,824	\$ 3,432,048	\$ 2,395,215

**MATAGORDA COUNTY**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Taxes	\$ 9,147,597	\$ 9,903,450	\$ 11,124,689	\$ 11,422,107	\$ 12,219,087	\$ 12,766,067	\$ 13,790,874	\$ 13,286,586	\$ 14,171,108	\$ 16,833,700
Licenses and permits	833,238	842,590	818,549	813,885	792,739	794,878	780,770	805,842	766,767	770,097
Intergovernmental	1,729,944	1,694,349	2,478,021	2,130,808	2,255,663	4,273,126	5,679,217	3,465,873	9,719,811	8,304,186
Charges for services	5,098,908	4,838,363	4,524,898	4,959,784	4,622,755	4,445,502	4,692,877	4,923,019	4,985,894	4,431,355
Fines	340,318	407,980	415,196	358,715	409,390	379,955	359,083	406,122	420,317	429,327
Investment income	840,854	411,266	272,525	368,082	246,270	146,783	170,191	189,396	167,131	173,033
Miscellaneous	557,011	347,093	273,743	523,112	270,267	262,134	323,794	1,150,101	306,915	343,087
<b>Total Revenues</b>	<b>18,547,870</b>	<b>18,445,091</b>	<b>19,907,621</b>	<b>20,576,493</b>	<b>20,816,171</b>	<b>23,088,445</b>	<b>25,796,806</b>	<b>24,226,939</b>	<b>30,537,943</b>	<b>31,284,785</b>
<b>Expenditures</b>										
General administration	2,359,736	2,439,805	2,646,612	2,683,735	2,805,567	3,067,887	3,262,721	3,112,170	3,320,691	4,819,501
Justice	2,803,386	2,740,721	3,155,191	3,389,233	3,295,213	3,070,179	3,138,020	3,239,914	3,626,356	3,540,786
Public safety	2,881,351	2,984,941	3,547,744	2,967,366	3,090,014	2,996,188	3,206,246	3,437,289	3,750,060	3,821,650
Corrections and rehabilitation	2,550,113	2,147,703	2,018,431	2,161,546	2,087,751	1,906,351	2,102,157	2,159,036	2,358,621	2,455,704
Health and human services	1,130,644	1,141,036	1,208,428	1,316,134	1,261,528	1,254,709	1,283,214	1,297,399	1,339,962	1,342,124
Community and economic dev	988,856	1,093,049	1,223,005	1,223,185	1,267,022	1,034,598	991,326	1,025,094	1,193,530	1,074,855
Infrastructure and environmental	4,376,057	4,541,745	5,063,458	5,722,007	5,058,387	4,821,509	8,985,216	5,252,783	5,787,483	5,980,068
Intergovernmental	--	--	--	--	290,001	2,613,425	566,199	2,304,056	989,112	6,442,116
Capital outlay	3,691,545	1,083,682	927,524	1,358,599	1,388,221	1,059,886	1,145,088	1,662,313	8,807,972	1,569,425
Debt service:										
Principal	181,466	125,000	130,000	135,000	145,000	212,555	278,751	303,265	512,668	594,965
Interest	69,221	60,853	54,873	48,659	42,093	39,325	32,758	24,858	36,396	127,864
Debt service costs	--	--	--	--	--	--	--	--	96,233	--
<b>Total Expenditures</b>	<b>21,032,375</b>	<b>18,358,535</b>	<b>19,975,266</b>	<b>21,005,464</b>	<b>20,730,797</b>	<b>22,076,612</b>	<b>24,991,696</b>	<b>23,818,177</b>	<b>31,819,084</b>	<b>31,769,058</b>
Excess of Revenues Over (Under) Expenditures	(2,484,505)	86,556	(67,645)	(428,971)	85,374	991,833	805,110	408,762	(1,281,141)	(484,273)
<b>Other Financing Sources (Uses)</b>										
Issuance premium	--	--	--	--	--	--	--	--	60,325	--
Certificates of obligation	--	--	--	--	--	--	--	--	2,750,000	--
Capital lease proceeds	--	--	--	--	188,820	456,965	456,965	151,371	1,224,946	--
Transfers In	2,794,384	489,115	67,612	53,450	70,053	40,695	33,500	34,500	34,500	34,500
Transfers Out	(2,794,384)	(489,115)	(67,612)	(53,450)	(70,053)	(40,695)	(33,500)	(34,500)	(34,500)	(34,500)
<b>Total Other Financing Sources (Uses)</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>188,820</b>	<b>--</b>	<b>456,965</b>	<b>151,371</b>	<b>4,035,271</b>	<b>--</b>
<b>Net Change in Fund Balances</b>	<b>\$ (2,484,505)\$</b>	<b>86,556 \$</b>	<b>(67,645)\$</b>	<b>(428,971)\$</b>	<b>274,194 \$</b>	<b>991,833 \$</b>	<b>1,262,075 \$</b>	<b>560,133 \$</b>	<b>2,754,130 \$</b>	<b>(484,273)</b>
Debt Service As A Percentage Of Noncapital Expenditures	1.45%	1.08%	0.97%	0.93%	0.97%	1.27%	1.40%	1.60%	2.49%	2.45%



**MATAGORDA COUNTY**  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN FISCAL YEARS

Fiscal Year	Assessed Real Property	Assessed Non-real Property	Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2006/07	3,276,215,172	551,077,039	(463,734,746)	3,363,557,465	0.26829	3,363,557,465	100.000%
2007/08	3,580,834,451	426,262,334	(461,540,256)	3,545,556,529	0.27593	3,545,556,529	100.000%
2008/09	4,381,977,682	95,029,605	(491,074,920)	3,985,932,367	0.27518	3,985,932,367	100.000%
2009/10	3,533,533,063	1,116,722,810	(510,369,654)	4,139,886,219	0.27498	4,139,886,219	100.000%
2010/11	3,412,943,688	1,553,978,640	(552,937,135)	4,413,985,193	0.27478	4,413,985,193	100.000%
2011/12	4,085,451,154	950,761,254	(546,317,547)	4,489,894,861	0.28162	4,489,894,861	100.000%
2012/13	3,997,000,381	1,127,092,670	(560,957,690)	4,563,135,361	0.29878	4,563,135,361	100.000%
2013/14	2,347,521,763	2,791,886,570	(559,982,098)	4,579,426,235	0.32099	4,579,426,235	100.000%
2014/15	3,179,148,560	1,660,523,790	(579,127,165)	4,260,545,185	0.35867	4,260,545,185	100.000%
2015/16	7,070,339,604	1,477,166,650	(746,127,230)	7,801,379,024	0.39568	7,801,379,024	100.000%

Source: Matagorda County Appraisal District

**MATAGORDA COUNTY**  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 LAST TEN FISCAL YEARS

Fiscal Year	Matagorda County				Overlapping Rates								Total Direct and Overlapping
	Total Direct		City		Utility Districts		Special Districts		Schools				
	Operating	Debt	Rate	Operating	Debt	Operating	Debt	Operating	Debt	Operating	Debt		
2006/07	0.26264	0.00565	0.26829	0.60500	0.04300	0.12700	0.05800	0.07100	0.03000	1.28000	0.09800	2.58029	
2007/08	0.26978	0.00615	0.27593	0.60500	0.04300	0.11920	0.07650	0.07100	0.03000	1.00790	0.16156	2.39009	
2008/09	0.27055	0.00463	0.27518	0.59400	0.03400	0.11600	0.07600	0.07000	0.03000	1.01900	0.12700	2.34118	
2009/10	0.27055	0.00443	0.27498	0.61300	0.03000	0.12300	0.08700	0.06700	0.03000	1.03800	0.12900	2.39198	
2010/11	0.27055	0.00423	0.27478	0.65100	0.03800	0.12600	0.08300	0.06900	0.03000	1.04700	0.11800	2.43678	
2011/12	0.27750	0.00412	0.28162	0.67500	0.03900	0.13600	0.08200	0.07100	0.03000	1.04700	0.12700	2.48862	
2012/13	0.29477	0.00401	0.29878	0.67614	0.03875	0.16723	0.09308	0.06706	0.03000	1.04700	0.36091	2.77895	
2013/14	0.31695	0.00404	0.32099	0.66676	0.04615	0.18419	0.08677	0.06903	0.02951	1.04247	0.15824	2.60411	
2014/15	0.35384	0.00483	0.35867	0.68478	0.04521	0.18974	0.08123	0.07165	0.03626	1.03214	0.18821	2.68789	
2015/16	0.38888	0.00680	0.39568	0.66581	0.11047	0.19185	0.07551	0.07754	0.03428	1.04928	0.19826	2.79868	

Source: County Tax Assessor and Palacios ISD Tax Assessor

**MATAGORDA COUNTY**

PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2015/2016		2006/2007		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
NRG South Texas LP	\$ 861,905,520		11.05%		--
Tres Palacios Gas Storage	267,759,470		3.43%		--
Equistar Chemicals LP	134,608,600		1.73%	192,621,510	5.73%
Williams Fld Svcs - Gulf Coast Co.	98,379,030		1.26%	34,553,712	1.03%
Oxea Corporation	84,830,100		1.09%		--
Formosa Plastics Corp UGS	56,016,970		0.72%		--
Kinder Morgan Texas Pipeline	54,561,630		0.70%		--
Celanese LTD Chemical Division	45,470,300		0.58%	73,702,710	2.19%
AEP Texas Central Company	38,576,050		0.49%	29,618,970	0.88%
Kinder Morgan Texas Pipeline	38,389,660		0.49%		--
Equister Chemicals LP UGS	--		--	39,300,610	1.17%
Texas Genco, LP	--		--	905,818,120	26.93%
Midtex Gas Storage Company	--		--	30,111,710	0.90%
Flint Hills Resources Inv	--		--	46,499,480	1.38%
BP America Production Co.	--		--	48,725,960	1.45%
BP America, Inc. UGS	--		--	27,142,930	0.81%
Total	<u>\$ 1,680,497,330</u>		<u>21.54%</u>	<u>\$ 1,428,095,712</u>	<u>42.46%</u>
Total Taxable Assessed Value	<u>\$ 7,801,379,024</u>			<u>\$ 3,363,557,465</u>	

Source: Matagorda County Tax Assessor

**MATAGORDA COUNTY**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Tax Year/ Fiscal Year	Taxes Levied for the Fiscal Year		Adjustments		Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
	Fiscal Year	Amount	Adjustments	Amount		Percentage of Levy	Amount		Percentage of Levy	Amount
2006/2007	9,039,485	(26,112)	9,013,373	8,995,277	99.80%	1,872	8,997,149	99.82%		
2007/2008	9,783,728	20,743	9,804,471	9,786,717	99.82%	2,852	9,789,569	99.85%		
2008/2009	10,968,961	(7,915)	10,961,046	10,936,089	99.77%	3,740	10,939,829	99.81%		
2009/2010	11,384,047	(36,339)	11,347,708	11,315,231	99.71%	5,120	11,320,351	99.76%		
2010/2011	12,129,877	(19,898)	12,109,979	12,080,093	99.75%	14,225	12,094,318	99.87%		
2011/2012	12,644,542	(203,446)	12,441,096	12,407,390	99.73%	17,839	12,425,229	99.87%		
2012/2013	13,635,349	(298,130)	13,337,219	13,285,597	99.61%	(275,340)	13,010,257	97.55%		
2013/2014	14,701,308	(1,021,226)	13,680,082	13,614,562	99.52%	553,508	14,168,070	103.57%		
2014/2015	15,282,252	25,211	15,307,463	14,122,704	92.26%	101,717	14,224,421	92.92%		
2015/2016	16,882,334	(63,863)	16,818,471	16,034,255	95.34%	--	16,034,255	95.34%		

Sources: Matagorda County Tax Assessor

## MATAGORDA COUNTY

### RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Percentage of Personal Income (1)	Per Capita Total Debt (1)
	Certificates of Obligation	Capital Leases	Total Governmental Activities		
2007	\$ 1,360,000	--	1,360,000	0.16%	34
2008	1,235,000	--	1,235,000	0.13%	33
2009	1,105,000	--	1,105,000	0.12%	30
2010	970,000	--	970,000	0.09%	26
2011	825,000	188,820	1,013,820	0.09%	27
2012	675,000	126,265	801,265	0.07%	22
2013	520,000	459,478	979,478	0.09%	27
2014	355,000	620,634	975,634	0.08%	27
2015	2,987,310	1,359,864	4,347,174	0.32%	119
2016	2,804,294	944,431	3,748,725	0.25%	100

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) Personal income and per capita can be found in the schedule of demographic and economic statistics on page 85.

**MATAGORDA COUNTY**RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Available in Debt Service Fund (2)	Total	Percentage of Estimated Actual Taxable Value of Property (3)	Per Capita (4)
2007	\$ 1,360,000	--	\$ 1,360,000	0.05%	\$ 34
2008	1,235,000	817	1,234,183	0.04%	33
2009	1,105,000	4,924	1,100,076	0.03%	30
2010	970,000	7,505	962,495	0.02%	26
2011	825,000	11,363	813,637	0.02%	22
2012	675,000	13,787	661,213	0.01%	18
2013	520,000	18,055	501,945	0.01%	14
2014	355,000	14,657	340,343	0.01%	9
2015	2,987,310	6,191	2,981,119	0.07%	82
2016	2,804,294	26,002	2,778,292	0.07%	76

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

(1) This is the general bonded debt of governmental funds

(2) This is the amount restricted for debt service principal payments

(3) Estimated actual value of taxable property can be found on page 77.

(4) Population data can be found in the schedule of demographic and economic statistics on page 85.

**MATAGORDA COUNTY**  
DIRECT AND OVERLAPPING  
GOVERNMENTAL ACTIVITIES DEBT  
AS OF DECEMBER 31, 2016

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<b>Debt Repaid With Property Taxes</b>			
City of Bay City	13,578,417	100.000%	13,578,417
Tidehaven Independent School District	46,340,000	100.000%	46,340,000
Palacios Independent School District	2,455,000	94.076%	2,309,562
Bay City Independent School District	12,293,484	100.000%	12,293,484
Matagorda Independent School District	4,474,999	100.000%	4,474,999
Matagorda County Navigation District #1	1,860,000	100.000%	1,860,000
Caney Creek Municipal Utility District	2,832,000	100.000%	2,832,000
Beach Road Municipal Utility District	375,000	100.000%	375,000
<b>Other Debt</b>			
Bay City Independent School District Capital Lease	3,695,131	100.000%	3,695,131
Bay City Independent School District Notes Payable	556,530	100.000%	556,530
Matagorda Independent School District Capital Lease	62,408	100.000%	62,408
Van Vleck Independent School District Capital Lease	397,461	100.000%	397,461
City of Bay City Notes Payable	51,849	100.000%	51,849
City of Bay City Leases	101,617	100.000%	101,617
City of Palacios Notes Payable	13,494	100.000%	13,494
<b>Subtotal, Overlapping Debt</b>			<u>88,941,952</u>
<b>County Direct Debt:</b>			
Capital Lease			944,431
Certificates of Obligation			<u>2,804,294</u>
			<u>3,748,725</u>
<b>Total Direct and Overlapping Debt</b>			<u>\$ 92,690,677</u>

Sources: Assessed value data used to estimate applicable percentages provided by Matagorda County Appraisal District  
Debt outstanding data provided by each governmental unit.

**MATAGORDA COUNTY**  
 LEGAL DEBT MARGIN INFORMATION  
 LAST TEN FISCAL YEARS

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt Limit	\$ 504,533,620	\$ 531,833,479	\$ 597,889,855	\$ 620,982,933	\$ 1,103,496,298	\$ 1,122,473,715	\$ 1,140,783,840	\$ 1,144,856,559	\$ 1,062,200,105	\$ 1,947,514,460
Total Net Debt Applicable to Limit	1,360,000	1,234,183	1,100,076	977,505	813,637	661,213	501,945	349,747	2,936,191	2,830,296
Legal Debt Margin	503,173,620	530,599,296	596,789,779	620,005,428	1,102,682,661	1,121,812,502	1,140,281,895	1,144,506,812	1,059,263,914	1,944,684,164
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	0.27%	0.23%	0.18%	0.16%	0.07%	0.06%	0.04%	0.03%	0.28%	0.15%

**Legal Debt Margin Calculation for the Current Fiscal Year**

Assessed Value	\$ 7,801,379,024
Debt Limit (25% of Assessed Value)	1,950,344,756
Debt Applicable to Limit:	
General Obligation Bonds	2,804,294
Less: Amount Set Aside for Repayment of General Obligation Debt	26,002
Total Net Debt Applicable to Limit	<u>2,830,296</u>
Legal Debt Margin	\$ 1,947,514,460

Sources: Matagorda County Appraisal District and County annual audit report.



**MATAGORDA COUNTY**  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population	37,122	36,860	37,265	36,978	36,763	36,809	36,547	36,592	36,519	36,770
Personal Income (thousands)	\$ 926,647	\$ 959,353	\$ 1,073,586	\$ 1,124,476	\$ 1,211,531	\$ 1,225,279	\$ 1,231,490	\$ 1,296,291	\$ 1,363,043	\$ 1,452,173
Per Capita Income	\$ 24,962	\$ 26,027	\$ 28,809	\$ 30,409	\$ 32,955	\$ 33,287	\$ 33,696	\$ 35,426	\$ 37,324	\$ 39,493
School Enrollment	7,685	7,453	7,373	7,182	7,159	7,096	7,009	7,022	7,121	7,264
Unemployment	7.2%	6.0%	7.0%	10.3%	16.4%	9.4%	9.1%	6.7%	7.3%	7.8%

Note: This data represents a one year lag from the fiscal year end as this type of information is never available for the current year under audit.

Sources: Personal income per capita and population provided by Bureau of Economic Analysis; school enrollment provided by Texas Education Agency website to include five independent school districts located within the county. Unemployment provided by Texas LMCI Tracer 2.

**MATAGORDA COUNTY**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

	<u>2016</u>	<u>2016</u>	<u>2007</u>	<u>2007</u>
<u>Top Employers</u>	<u>Employment</u>	<u>Percentage of Total County Employment</u>	<u>Employment</u>	<u>Percentage of Total County Employment</u>
South Texas Project	1,159	7.48%	1,114	7.18%
Bay City ISD	556	3.59%	646	4.17%
Wal-Mart	158	1.02%	--	*
Matagorda Hospital	295	1.91%	307	1.98%
Palacios ISD	218	1.41%	244	1.57%
City of Bay City	151	0.98%	318	2.05%
Matagorda County	226	1.46%	246	1.59%
Lyondell	157	1.01%	195	1.26%
Oxea	165	1.07%	135	0.87%
Van Vleck ISD	155	1.00%	157	1.01%
Tidehaven ISD	128	0.83%	148	0.95%
HEB	108	0.70%	103	0.66%
Tenaris	316	2.04%	**	--
Total	<u>3,792</u>	<u>24.49%</u>	<u>3,613</u>	<u>23.30%</u>
Total County Employment		15,485		15,508

Sources:

Each employer

Texas LMCI Tracer - Total County employment for current year

Labor Force - Total County employment nine years ago

\* Not available

\*\* Opened 2014

**MATAGORDA COUNTY**  
 FULL-TIME-EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION  
 LAST TEN FISCAL YEARS

Function	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government	33	34	34	34	34	34	34	35	32	31
Justice system	34	37	37	37	37	34	34	34	42	36
Public safety	47	47	47	48	48	49	49	48	45	42
Corrections and rehabilitation	32	34	35	35	35	35	35	35	35	35
Community & economic development	10	10	10	10	10	10	10	10	10	7
Health & human services	7	7	7	7	7	7	7	7	7	8
Infrastructure & environmental services	34	34	35	33	37	37	37	39	32	33
<b>Total</b>	<b>197</b>	<b>203</b>	<b>205</b>	<b>204</b>	<b>208</b>	<b>206</b>	<b>206</b>	<b>208</b>	<b>203</b>	<b>192</b>

Source: Human Resources and Auditor Office

**MATAGORDA COUNTY**  
**OPERATING INDICATORS BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Births filed	322	420	389	404	386	355	474	571	514	545
Deaths filed	290	261	258	273	258	287	281	284	286	293
Marriage license applications	300	261	265	321	327	328	309	276	307	325
Registered voters	20,818	21,725	20,806	21,116	20,543	21,358	20,525	20,978	20,656	21,535
Auto titles	5,934	5,833	5,489	4,513	5,491	5,686	5,731	5,717	5,621	5,561
Justice										
District Court										
Civil cases filed	951	848	764	399	425	386	383	307	337	435
Civil case dispositions	961	994	933	414	330	371	304	355	254	217
Criminal cases filed	540	526	538	718	413	379	488	334	260	360
Criminal case dispositions	514	518	548	879	483	554	553	508	512	560
County Court										
Civil cases filed	63	73	52	64	75	67	74	73	58	63
Civil case dispositions	50	59	30	65	71	61	67	58	88	78
Criminal cases filed	1,371	983	935	968	986	1,001	982	850	729	784
Criminal case dispositions	1,594	1,085	1,073	1,096	4,955	1,112	989	1,013	942	1,017
Justice of the Peace										
Civil cases filed	328	592	408	363	385	374	416	414	418	416
Civil case dispositions	176	244	166	141	181	866	413	368	396	361
Criminal cases filed	5,878	6,591	6,599	5,351	4,955	3,931	3,381	3,452	2,906	3,068
Criminal case dispositions	4,450	4,450	5,153	3,848	4,626	5,500	3,566	2,032	2,412	2,719
Public Safety										
Total calls for service	8,235	7,957	7,851	7,863	7,976	7,605	6,262	6,552	7,287	7,513
Total arrests	775	890	744	970	791	680	800	799	718	727
Corrections and Rehabilitation										
Number of inmates per year	2,472	1,553	1,582	1,732	1,808	1,391	2,017	2,083	1,866	1,075
Health and Human Services										
Food permits issued	260	245	245	250	249	242	234	238	253	266
Food inspections	443	333	362	*	*	*	*	*	*	*
Septic permits issued	134	160	104	123	111	97	109	148	124	136
Building permits issued	368	449	367	375	333	297	330	373	290	281
Electrical permits issued	510	496	210	446	498	510	488	516	100	100

\* Information not available

Sources: HGAC & TxDot and County Commissioner inventory report.

**MATAGORDA COUNTY**  
 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
 LAST TEN FISCAL YEARS

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
County buildings	42	42	42	42	42	42	42	42	42	42
Public Safety										
Sheriff vehicles	43	47	48	55	53	53	46	48	49	49
Fire and ambulance	48	48	48	48	48	48	50	51	51	51
Infrastructure and Env. Svcs										
County roads (miles)	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126	1,126
County bridges	87	87	87	87	87	87	87	87	87	87
Community and Economic Development										
Number of county parks	9	9	9	9	9	9	9	9	9	9

\* Information not available.

Sources: HGAC & TxDot and County Commissioner inventory report.

