

Annual Financial Report of Franklin County, Texas



Fiscal Year Ended December 31, 2015

ANNUAL FINANCIAL REPORT

Fiscal Year Ended December 31, 2015

Franklin County, Texas



**FRANKLIN COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

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INTRODUCTORY SECTION



FRANKLIN COUNTY, TEXAS

COUNTY OFFICIALS

DECEMBER 31, 2015

County Judge.....Scott Lee

Commissioner Precinct 1.....Danny Chitsey

Commissioner Precinct 2.....Larkin Jumper

Commissioner Precinct 3.....Deryl Carr

Commissioner Precinct 4.....Sam Young

County Clerk.....Betty Crane

District Clerk.....Ellen Jagers

County Treasurer.....Betty Sue Allen

Tax Assessor-Collector.....Sue Ann Harper

County Auditor.....Tina Phillips

Sheriff.....Ricky Jones

County Attorney.....Gene Stump

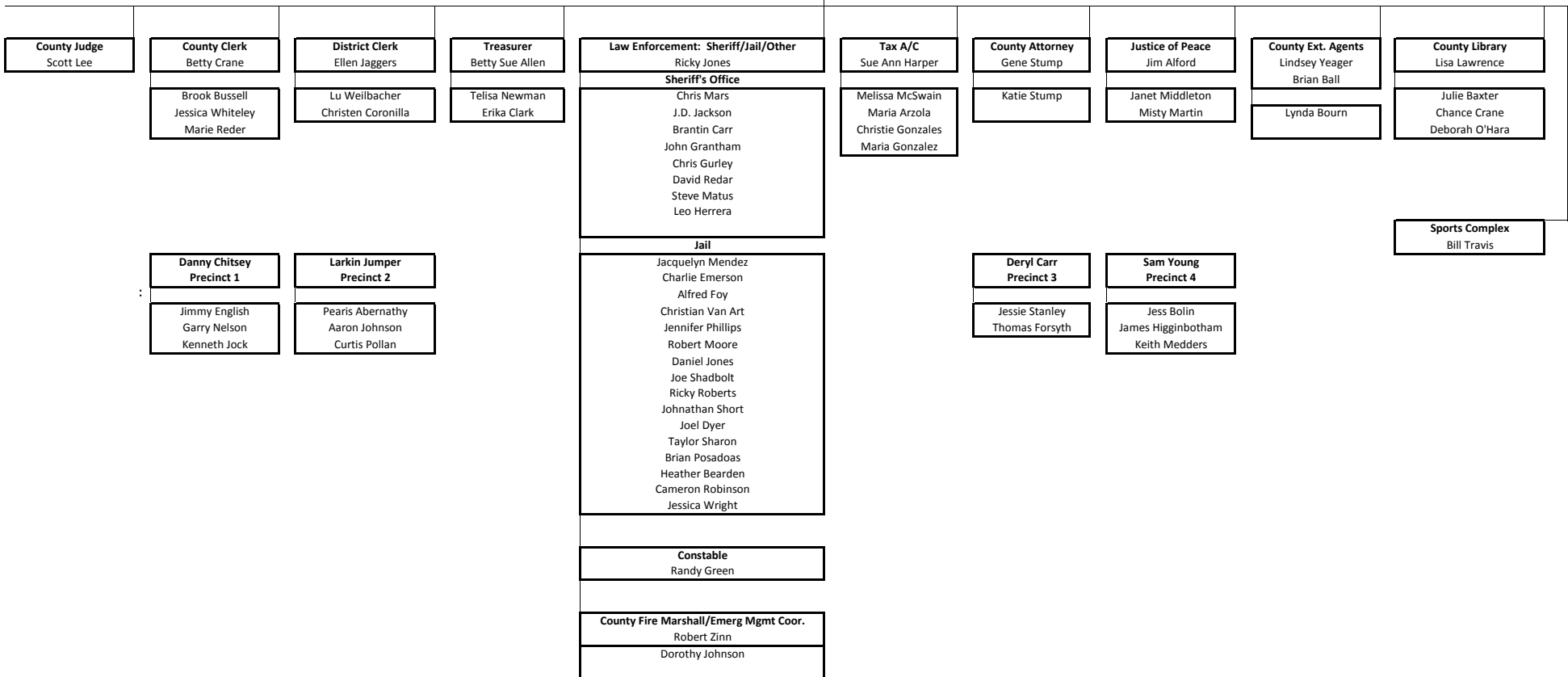
Justice of the Peace.....Jim Alford

Constable.....Randy Green

Franklin County Organizational Chart 12/31/2015

District Courts
8th / 62nd
County Auditor
Tina R. Phillips, CPA

Commissioner's Court
Judge Scott Lee, County Judge
Danny Chitsey, Precinct 1
Larkin Jumper, Precinct 2
Deryl Carr, Precinct 3
Sam Young, Precinct 4



FINANCIAL SECTION





Michael Conway, CPA
Neil Conway, CPA

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ACCOUNTANTS & ADVISORS

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American Institute of CPAs
Texas Society of CPAs

August 2, 2016

Independent Auditor's Report

Honorable Judge and Commissioners
Franklin County
200 N. Kaufman Street
Mt. Vernon, Texas 75457

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Texas ("County") as of and for the year ended December 31, 2015, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no opinion. An audit also includes assessing the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Franklin County, Texas as of December 31, 2015, and the respective changes in financial position, where applicable, and cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 14 and the TCDRS Funding Progress and Schedule of Contributions and Schedule of Changes in Net Pension Liability on pages 49 - 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual major and nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section has 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.

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

Internal Control

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated August 2, 2016, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS in considering the County's internal control over financial reporting and compliance.

Respectfully Submitted,

CONWAY COMPANY CPAs, PC



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FRANKLIN COUNTY, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2015

As management of Franklin County ("County"), we offer the readers of Franklin County's financial statements this narrative overview and analysis of the financial activities of Franklin County for the fiscal year ended December 31, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the County's financial statements, which follow this narrative.

Financial Highlights

- The assets of Franklin County exceeded its liabilities at the close of the fiscal year by \$18,998,594 (net position). Of this amount, \$15,790,565, or 83%, is net investment in capital assets which do not directly generate revenue and are not available to generate liquid capital. Net position of \$410,827, or 2%, is restricted for specific purposes including library, debt service, court use, and hotel tax use. The remaining \$2,797,202, or 15%, is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by (\$307,188), or (2%), excluding prior period adjustment, due to a decrease in the governmental activities net position.
- As of the close of the current fiscal year, Franklin County's governmental funds reported combined ending fund balances of \$3,127,121, a decrease of (\$116,953), or (4%), in comparison with the prior year. A total of \$778,653, or 25%, is available for spending at the government's discretion (unassigned fund balance). In addition, Franklin County reported nonspendable fund balance of \$533,377, or 18%, restricted fund balance of \$127,803, or 4%, committed fund balance of \$205,500, or 7%, and assigned fund balance of \$1,481,788, or 47%.
- At the end of the current fiscal year, unassigned fund balance for the General Fund of \$778,653 was 17% of total General Fund expenditures for this fiscal year.
- Franklin County's long-term obligations increased by \$426,075, or 97%, during the current fiscal year that is mainly due to recording of net pension liability of \$278,033 and new note/capital lease obligations of \$339,874 less payments made on existing long-term debt.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Franklin County's basic financial statements. The County's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the County through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of Franklin County.

**FRANKLIN COUNTY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2015**

Basic Financial Statements

The first two statements (pages 17-19) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the County's financial status.

The next statements (pages 20-28) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the County's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the proprietary fund statements; and 3) the fiduciary fund statement of assets and liabilities.

The next section of the basic financial statements is the **notes** (pages 29-46). The notes to the financial statements explain in detail the data contained in those statements. After the notes, **required supplemental information** (page 49-50) is provided to show details about the County's pension plan. **Supplemental information** (pages 52-62) presents combining statements for both the major and nonmajor governmental funds, as well as fiduciary fund information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the County's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the County's financial status as a whole.

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

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Revenues and expenses are reported in these statements for some items that will only result in cash flows in future periods (e.g., uncollected taxes). The Statement of Net Position and Statement of Activities are prepared using the accrual basis of accounting.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the County's basic services such as public safety, judicial, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the County charges customers to provide. These include the leases offered by Franklin County.

The government-wide financial statements can be found on pages 17-19.

Fund Financial Statements

The fund financial statements provide a more detailed look at the County's most significant activities. 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. Franklin County, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the County's budget ordinance. 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 functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result,

**FRANKLIN COUNTY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2015**

the governmental fund financial statements give the reader a detailed short-term view that helps to determine if there are more or less financial resources available to finance the County's programs.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in 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 fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the County, the management of the County, and the decisions of the commissioners about which services to provide and how to pay for them. It also authorizes the County to obtain funds from identified sources to finance these current period activities. The budgetary schedule provided for the General Fund demonstrates how well the County complied with the budget ordinance and whether or not the County succeeded in providing the services as planned when the budget was adopted. The Budgetary Comparison Schedule uses the modified accrual basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule shows four columns: 1) the original budget; 2) the final budget as amended by the Commissioner's Court; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. The Governmental Fund financial statements can be found on pages 20-24 of this report.

Proprietary Funds – The County has one type of proprietary fund which is the Airport Fund. The County charges customers for the services it provides. These services are reported in proprietary funds. Proprietary Funds are reported in the same way activities are reported in the Statement of Net Position and the Statement of Activities. Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 25-27 of this report.

Fiduciary Funds – Fiduciary Funds are used to account for amounts held on behalf of others by the County as a trustee, or fiduciary. The County is the trustee, or fiduciary, for certain amounts held on behalf of individuals, other governments, or other funds. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. The activities of this fund are excluded from the County's other financial statements because the County cannot use these assets to finance operations. The County is responsible for ensuring that the assets reported in this fund are used for their intended purpose. The basic Fiduciary Fund financial statement can be found on page 28.

Notes to the Financial Statements – The notes provide additional information essential to a full understanding of the data provided in the financial statements and can be found on pages 29-46 of this report.

Required Other Information – In addition to the basic financial statements, this report includes certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees (page 49-50).

Other Information – The combining statements in connection with the major and non-major governmental funds are presented immediately following the required supplementary information and can be found on pages 52-62 of this report.

New GASB Pronouncements - The following statements for the Governmental Accounting Standards Board ("GASB") were effective for the County in the fiscal year ending December 31, 2015.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27", will be implemented as required by GASB during the fiscal year December 31, 2015. The objective of this statement is to improve accounting and financial reporting by state and local government pensions and improve

**FRANKLIN COUNTY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2015**

the decision-usefulness of information contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirement about pensions also are addressed. This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

GASB Statement No. 69, "Governmental Combinations and Disposals of Government Operations", establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The implementation of this statement does not result in any changes to the County's financial statements.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees", requires a government that extends nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The implementation of this statement does not result in any changes to the County's financial statements.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date", is an amendment to GASB Statement No. 68. This statement addresses an issue regarding application of the transition provisions of GASB Statement No. 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

In order to implement the Statement No. 68, a prior period adjustment was made to adjust unrestricted net position by \$110,689. See Note H for more information regarding the County's pension plan.

The GASB has issued the following statements which will be effective in future years as described below:

GASB Statement No. 72, "Fair Value Measurement and Application" addresses account and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value to certain investments and disclosure related to fair value measurements. The County is evaluating the potential changes to the financial statements as a result of the implementation of this statement in future years.

**FRANKLIN COUNTY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015**

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 8,741,196	\$ 8,549,776	\$ (15,895)	\$ (15,619)	\$ 8,725,301	\$ 8,534,157
Capital assets	15,556,463	15,705,793	821,672	789,808	16,378,135	16,495,601
Total assets	<u>24,297,659</u>	<u>24,255,569</u>	<u>805,777</u>	<u>774,189</u>	<u>25,103,436</u>	<u>25,029,758</u>
Deferred outflows - pension	466,649	-	-	-	466,649	-
Current liabilities	218,289	188,962	371	647	218,660	189,609
Long-term liabilities	957,045	528,316	-	-	957,045	528,316
Total liabilities	<u>1,175,334</u>	<u>717,278</u>	<u>371</u>	<u>647</u>	<u>1,175,705</u>	<u>717,925</u>
Deferred inflows of resources:						
Unavailable revenue	5,395,786	5,116,740	-	-	5,395,786	5,116,740
	<u>5,395,786</u>	<u>5,116,740</u>	<u>-</u>	<u>-</u>	<u>5,395,786</u>	<u>5,116,740</u>
Net position:						
Net investment in capital assets	14,968,893	15,266,265	821,672	789,808	15,790,565	16,056,073
Restricted	410,827	385,091	-	-	410,827	385,091
Unrestricted	2,813,468	2,770,195	(16,266)	(16,266)	2,797,202	2,753,929
Total net position	<u>\$18,193,188</u>	<u>\$18,421,551</u>	<u>\$ 805,406</u>	<u>\$ 773,542</u>	<u>\$18,998,594</u>	<u>\$19,195,093</u>

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The net position of Franklin County exceeded liabilities by \$18,998,594 as of December 31, 2015. During the year ended December 31, 2015, the County's net position decreased by (\$307,188), excluding prior period adjustments.

Net investment in capital assets

The largest portion of the County's net position of \$15,790,565, or 83%, reflects the County's investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt still outstanding that was issued to acquire those items. Franklin County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Franklin County's investment in its capital assets is reported net of the outstanding debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:

Restricted net position, representing \$410,827, or 2%, is subject to external restrictions on how it may be used, or by enabling legislation. The restricted net position is comprised of (a) \$13,086, or 3%, for debt service, (b) \$117,138, or 29%, for state imposed restrictions, and (c) \$280,603, or 68%, for library use.

Unrestricted net position:

Unrestricted net position in the amount of \$2,797,202, or 15%, is available to fund the County's programs to citizens and creditors.

**FRANKLIN COUNTY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015**

Changes in Net Position

	Governmental Activities		Business Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for services	\$ 1,645,269	\$ 1,671,196	\$ 4,965	\$ 7,265	\$ 1,650,234	\$ 1,678,461
Grants and Contributions	117,137	2,001,262	-	-	117,137	2,001,262
General Revenues:						
Property Taxes	5,157,584	4,754,848	-	-	5,157,584	4,754,848
Sales Taxes	389,155	435,103	-	-	389,155	435,103
Other Taxes	54,867	47,026	-	-	54,867	47,026
Investment Income	86,017	90,618	-	-	86,017	90,618
Miscellaneous	177,026	168,613	-	-	177,026	168,613
Total Revenues	<u>7,627,055</u>	<u>9,168,666</u>	<u>4,965</u>	<u>7,265</u>	<u>7,632,020</u>	<u>9,175,931</u>
Expenses:						
Program Expenses						
General Government	2,393,663	2,258,113	-	-	2,393,663	2,258,113
Public Safety	1,053,697	1,039,085	-	-	1,053,697	1,039,085
Judicial	1,549,216	1,378,287	-	-	1,549,216	1,378,287
Health and Public Welfare	59,810	53,240	-	-	59,810	53,240
Library	190,115	189,394	-	-	190,115	189,394
Public Works	2,561,599	2,609,139	-	-	2,561,599	2,609,139
Parks and Recreations	101,514	112,162	-	-	101,514	112,162
Interest on Long-Term Debt	9,816	25,053	-	-	9,816	25,053
Airport	-	-	19,778	28,877	19,778	28,877
Total Expenses	<u>7,919,430</u>	<u>7,664,473</u>	<u>19,778</u>	<u>28,877</u>	<u>7,939,208</u>	<u>7,693,350</u>
Change in Net Position before Other						
Revenues and Financing Sources (Uses)	(292,375)	1,504,193	(14,813)	(21,612)	(307,188)	1,482,581
Other Revenues & Financing Sources (Uses)						
Transfers	(46,677)	(34,197)	46,677	34,197	-	-
Total Other Financing Sources (Uses)	<u>(46,677)</u>	<u>(34,197)</u>	<u>46,677</u>	<u>34,197</u>	<u>-</u>	<u>-</u>
Total Change in Net Position	(339,052)	1,469,996	31,864	12,585	(307,188)	1,482,581
Net position - January 1	18,421,551	16,951,555	773,542	760,957	19,195,093	17,712,512
Prior Period Adjustments	110,689	-	-	-	110,689	-
Net position - December 31	<u>\$ 18,193,188</u>	<u>\$ 18,421,551</u>	<u>\$ 805,406</u>	<u>\$ 773,542</u>	<u>\$ 18,998,594</u>	<u>\$ 19,195,093</u>

The Governmental Activities decreased the net position by (\$339,052), excluding prior period adjustment. This decrease is due to an increase in General Government expenditures of (\$135,550), or (6%), and Judicial expenditures of (\$170,929), or (12%).

The Business-type Activities have increased the net position by \$31,864. This increase is due to total expenses decreasing by (\$9,099), or 32%, and transfers from the governmental funds increased \$12,480, or 36%.

**FRANKLIN COUNTY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
DECEMBER 31, 2015**

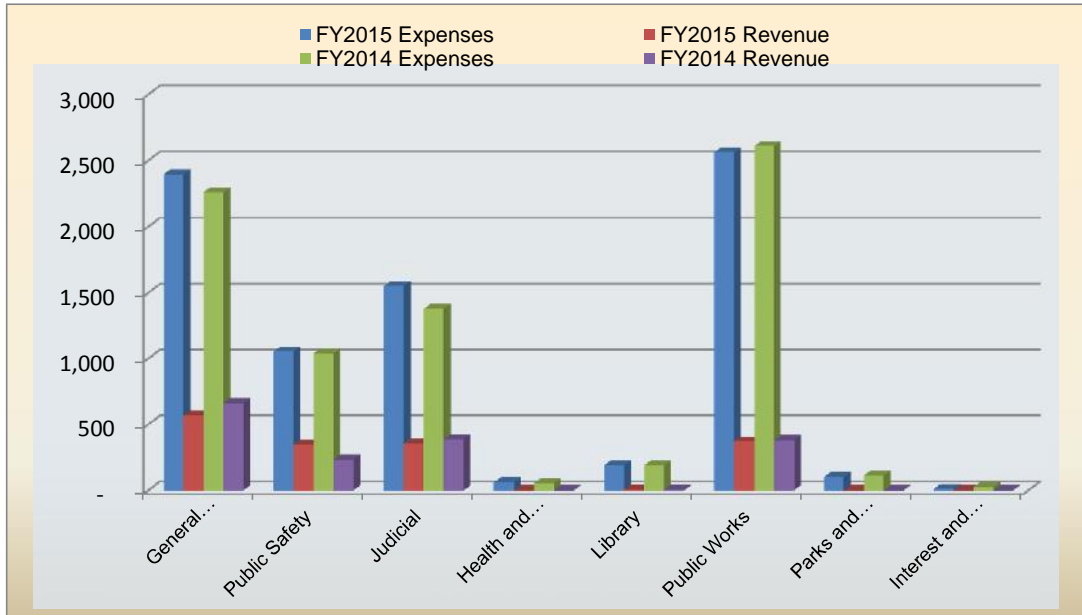
Governmental-type activities - Governmental-type activities decreased the County's net position by (\$339,052), excluding prior period adjustment. Key elements of this decrease are as follows:

Expenditures for Judicial activity increased \$170,929, or 12%.

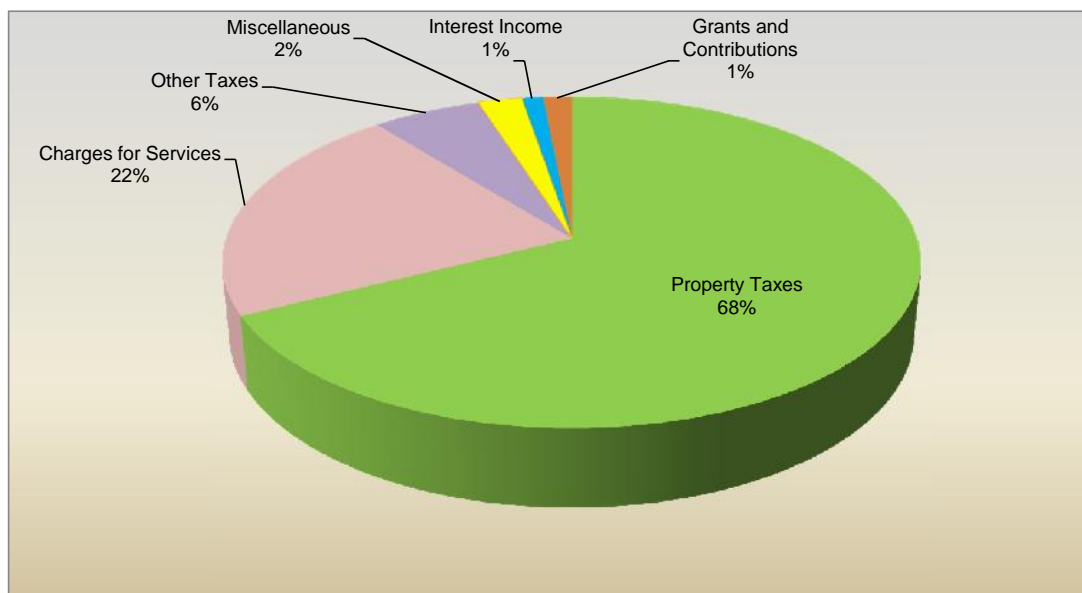
Expenditures for General Government activity increased \$135,550, or 6%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues by Source - Governmental Activities



**FRANKLIN COUNTY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015**

Financial Analysis of the County's Funds

As noted earlier, Franklin County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of Franklin County's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the County's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the governmental funds reported a combined ending fund balance of \$3,127,121, a (4%) decrease from last year. This decrease is mainly due to capital outlay expenditures to complete two ball fields and unbudgeted increase in District Court expenditures. Approximately \$778,653, or 25%, of this total amount constitutes unassigned fund balance that is available for spending at the government's discretion.

The County has assigned fund balances of \$1,481,788 for capital projects, monies for specific purposes in parks, library, road and bridge, health care, and other functions, which represents 47% of total fund balance.

A portion of the fund balance is restricted totaling \$127,803, or 4%, indicating that these are restricted for spending for the following: 1) \$47,782, or 37%, for hotel use, 2) \$57,958, or 45%, for court use, 3) \$13,086, or 10%, for debt service, and 4) \$8,977, or 8%, for library. Committed fund balance of \$205,500, or 7%, of total fund balance, is set aside for capital projects. The remaining fund balance of \$533,377, or 17%, is nonspendable and is made up of prepaid items, endowment, inventory and notes receivable.

The General Fund is the chief operating fund of Franklin County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$778,653. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. This represents 17% of total General Fund expenditures.

General Fund Budgetary Highlights: During the fiscal year, the County made revisions to the budget. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were slightly more than budgeted amounts, mainly in the area of the charge for services. Expenditures were less than budgeted amounts overall.

Proprietary Funds - Franklin County's proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the proprietary funds at the end of the fiscal year amounted to (\$16,266), with an increase in total net position of \$31,864, which is mainly due to transfers of funds during the year.

**FRANKLIN COUNTY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015**

Capital Asset and Debt Administration

Capital Assets - Franklin County's investment in capital assets for its governmental and business-type activities as of December 31, 2015, totals \$16,378,135 (net of accumulated depreciation). These assets include land, buildings, infrastructure, improvements, machinery & equipment, vehicles and construction in progress. The total decrease in Franklin County's capital assets was (1%).

Major capital asset transactions during the year include the following additions:

- Continued construction of sports fields
- Purchase of various public works vehicles and equipment
- Airport improvements

**Capital Assets
December 31, 2015
(net of accumulated depreciation)**

	Governmental		Business-type		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 713,155	\$ 713,157	\$ 394,372	\$ 394,372	\$ 1,107,527	\$ 1,107,529
Construction in Progress	143,190	47,287	151,156	107,573	294,346	154,860
Buildings & Improvements	10,129,064	10,401,450	276,144	287,863	10,405,208	10,689,313
Infrastructure	3,177,795	3,361,095	-	-	3,177,795	3,361,095
Machinery & Equipment	1,393,259	1,182,804	-	-	1,393,259	1,182,804
Total	\$ 15,556,463	\$ 15,705,793	\$ 821,672	\$ 789,808	\$ 16,378,135	\$ 16,495,601

More detailed information about the County's capital assets is presented in Note F to the financial statements.

Long-term Obligations - As of December 31, 2015, Franklin County had total long-term obligations of \$865,603. This is an increase of \$426,075, or 97%, over the previous year due to the inclusion of net pension liability.

**Long-Term Debt
December 31, 2015**

	Governmental		Business-type		Total	
	2015	2014	2015	2014	2015	2014
Bonds payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes payable	521,446	422,972	-	-	521,446	422,972
Capital lease	66,124	16,556	-	-	66,124	16,556
Net pension liability	278,033	-	-	-	278,033	-
Totals	\$ 865,603	\$ 439,528	\$ -	\$ -	\$ 865,603	\$ 439,528

More detailed information about the County's long-term debt is presented in Note G to the financial statements.

**FRANKLIN COUNTY, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2015**

Economic Factors and Next Year's Budgets and Rates

In the fiscal year 2016 budget, the General Fund revenues are budgeted to increase \$210,641, or 4.51%, from the 2015 budget year. General Fund property tax revenue makes up about \$3,587,270, or approximately 73.56% of anticipated General Fund revenues. The 2015 adjusted property tax values for the General Fund increased by \$2,133,000 over the prior year. This increase was primarily due to higher appraised values for the real property. For the 2016 tax year, the County Commissioners increased the tax rate by \$0.0289 per \$100 assessed valuation, which was approximately a 9.36% increase over the prior year.

Fees and fines, the second largest revenue source for the General Fund, is budgeted at \$534,800 for 2016, or 10.97% of anticipated General Fund revenue. Sales tax, the third largest revenue source, is budgeted at \$400,000, or 8.20%. The remaining 7.27% of budgeted revenue is made up of delinquent tax penalties, interest earnings, and miscellaneous other income. The fiscal year 2016 budget includes an approximate 3.5% wage increase for hourly employees. No salary increase was budgeted for the elected or appointed officials for 2016.

Requests for Information

This report is designed to provide an overview of the County's finances for those with an interest in the government's finances. Questions concerning the information found in this report or requests for additional financial information should be directed to Franklin County, 200 N. Kaufman, Mt. Vernon, Texas 75457.

BASIC FINANCIAL STATEMENTS



**FRANKLIN COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,030,766	\$ -	\$ 4,030,766
Receivables (net of allowance for uncollectibles)	3,440,805	-	3,440,805
Notes receivable	169,043	-	169,043
Grant receivable	311,601	-	311,601
Internal Balances	15,895	(15,895)	-
Prepaid expenses	83,652	-	83,652
Inventory	9,056	-	9,056
Restricted assets:			
Cash and cash equivalents	680,378	-	680,378
Non-depreciable capital assets:			
Land	713,155	394,372	1,107,527
Construction in progress	143,190	151,156	294,346
Depreciable capital assets (net):			
Infrastructure	3,177,795	-	3,177,795
Building & improvements	10,129,064	276,144	10,405,208
Machinery & equipment	1,393,259	-	1,393,259
Total Assets	<u>24,297,659</u>	<u>805,777</u>	<u>25,103,436</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	466,649	-	466,649
LIABILITIES			
Accounts payable	200,836	371	201,207
Accrued interest payable	3,979	-	3,979
Accrued expenses	13,474	-	13,474
Noncurrent liabilities:			
Due within one year:			
Compensated absences	43,047	-	43,047
Notes payable	175,410	-	175,410
Due in more than one year:			
Compensated absences	48,395	-	48,395
Capital lease payable	66,124	-	66,124
Note payable	346,036	-	346,036
Net pension	278,033	-	278,033
Total Liabilities	<u>1,175,334</u>	<u>371</u>	<u>1,175,705</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	5,395,786	-	5,395,786
Total Deferred Inflows of Resources	<u>5,395,786</u>	<u>-</u>	<u>5,395,786</u>
NET POSITION			
Net investment in capital assets	14,968,893	821,672	15,790,565
Restricted for:			
Debt Service	13,086	-	13,086
Court use	69,356	-	69,356
Hotel tax	47,782	-	47,782
Library			
Expendable	8,977	-	8,977
Nonexpendable	271,626	-	271,626
Unrestricted	2,813,468	(16,266)	2,797,202
Total Net Position	<u>\$ 18,193,188</u>	<u>\$ 805,406</u>	<u>\$ 18,998,594</u>

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

**FRANKLIN COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ 2,393,663	\$ 566,719	\$ 24,924	\$ 30,690
Public safety	1,053,697	346,672	-	-
Judicial	1,549,216	354,350	-	-
Health and public welfare	59,810	-	-	-
Library	190,115	6,240	14,995	-
Public works	2,561,599	371,288	45,292	-
Parks and recreational	101,514	-	1,236	-
Interest on long-term debt	9,816	-	-	-
Total governmental activities	7,919,430	1,645,269	86,447	30,690
Business-type activities:				
Airport	19,778	4,965	-	-
Total business-type activities	19,778	4,965	-	-
Total primary government	\$ 7,939,208	\$ 1,650,234	\$ 86,447	\$ 30,690

General revenues:

Property taxes
Sales taxes
Other taxes
Investment income
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Prior period adjustment
Net position - ending

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

**Net (Expense) Revenue
and Changes in Net Position**

Primary Government		
Governmental Activities	Business Activities	Total
\$ (1,771,330)	\$ -	\$ (1,771,330)
(707,025)	-	(707,025)
(1,194,866)	-	(1,194,866)
(59,810)	-	(59,810)
(168,880)	-	(168,880)
(2,145,019)	-	(2,145,019)
(100,278)	-	(100,278)
(9,816)	-	(9,816)
(6,157,024)	-	(6,157,024)
-	(14,813)	(14,813)
-	(14,813)	(14,813)
\$ (6,157,024)	\$ (14,813)	\$ (6,171,837)
\$ 5,157,584	\$ -	\$ 5,157,584
389,155	-	389,155
54,867	-	54,867
86,017	-	86,017
177,026	-	177,026
(46,677)	46,677	-
5,817,972	46,677	5,864,649
(339,052)	31,864	(307,188)
18,421,551	773,542	19,195,093
110,689	-	110,689
\$ 18,193,188	\$ 805,406	\$ 18,998,594

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

**FRANKLIN COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General Fund	Road & Bridge Funds (Funds 1 - 4)	Road & Bridge County-Wide Fund	Courthouse Restoration Fund	Other Funds	Total
Assets						
Cash and cash equivalents	\$ 2,409,651	\$ 633,049	\$ 703,685	\$ -	\$ 284,381	\$ 4,030,766
Receivables (net of allowance for uncollectible)	2,337,948	194,020	871,937	-	36,900	3,440,805
Grant Receivable	-	-	-	311,601	-	311,601
Cash and cash equivalents - restricted	-	-	-	-	680,378	680,378
Due from other funds	270,992	20,000	-	-	-	290,992
Notes receivable	-	-	-	-	169,043	169,043
Inventory	-	-	-	-	9,056	9,056
Prepaid expenses	72,254	-	-	-	11,398	83,652
Total Assets	\$ 5,090,845	\$ 847,069	\$ 1,575,622	\$ 311,601	\$ 1,191,156	\$ 9,016,293
Liabilities						
Accounts payable	52,693	41,449	-	56,094	50,740	200,976
Due to other funds	405	19,185	-	255,507	-	275,097
Accrued expenses	10,492	2,008	-	-	834	13,334
Accrued interest payable	-	3,979	-	-	-	3,979
Total Liabilities	63,590	66,621	-	311,601	51,574	493,386
Deferred Inflows of Resources						
Unavailable revenue - property taxes	3,630,538	279,433	1,430,938	-	54,877	5,395,786
Total Deferred Inflows of Resources	3,630,538	279,433	1,430,938	-	54,877	5,395,786
Fund Balance						
Nonspendable:						
Endowment	-	-	-	-	271,626	271,626
Inventory	-	-	-	-	9,056	9,056
Prepaid items	72,254	-	-	-	11,398	83,652
Notes receivable	-	-	-	-	169,043	169,043
Restricted for:						
Library	-	-	-	-	8,977	8,977
Hotel	-	-	-	-	47,782	47,782
Court use	-	-	-	-	57,958	57,958
Debt service	-	-	-	-	13,086	13,086
Committed for:						
Capital improvements	205,500	-	-	-	-	205,500
Assigned for:						
Road & bridge	-	501,015	144,684	-	-	645,699
Library	-	-	-	-	33,007	33,007
General government	-	-	-	-	263,918	263,918
Public safety	340,310	-	-	-	40,858	381,168
Health care	-	-	-	-	62,269	62,269
Other	-	-	-	-	29,786	29,786
Judicial	-	-	-	-	47,770	47,770
Parks	-	-	-	-	18,171	18,171
Unassigned	778,653	-	-	-	-	778,653
Total Fund Balance	1,396,717	501,015	144,684	-	1,084,705	3,127,121
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 5,090,845	\$ 847,069	\$ 1,575,622	\$ 311,601	\$ 1,191,156	\$ 9,016,293

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

**FRANKLIN COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2015**

Total fund balance - governmental fund balance sheet	\$ 3,127,121
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund financial statements.	30,000,387
Accumulated depreciation has not been included in the governmental fund financial statements.	(14,443,924)
Deferred inflow/outflow or resource for pension are not reported in the fund financial statements	466,649
Long-term liabilities for compensated absences have not been reflected in the fund financial statements.	(91,442)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the fund financial statements.	(278,033)
Notes payable and capital lease payable have not been included in the governmental fund financial statements	(587,570)
Net position of governmental activities - statement of net position	<u>\$ 18,193,188</u>

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

**FRANKLIN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General Fund	Road & Bridge Funds (Funds 1 - 4)	County-Wide Road & Bridge Fund	Other Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 3,391,672	\$ 278,169	\$ 1,420,969	\$ 66,774	\$ 5,157,584
Hotel	-	-	-	50,146	50,146
Beverage	4,721	-	-	-	4,721
Sales and use	389,155	-	-	-	389,155
Fines and forfeitures	280,396	-	-	170,029	450,425
Licenses and permits	67,604	-	-	102,275	169,879
Charges for services	526,181	140,834	260,424	86,472	1,013,911
Grant and contributions	49,394	45,292	-	19,013	113,699
Donations	-	-	-	1,236	1,236
Intergovernmental revenue	2,202	-	-	-	2,202
Investment income	43,320	22,989	4,550	15,158	86,017
Miscellaneous	123,223	17,298	397	36,108	177,026
Total Revenues	4,877,868	504,582	1,686,340	547,211	7,616,001
EXPENDITURES					
Current:					
General government	1,972,776	-	-	91,133	2,063,909
Public safety	851,224	-	-	53,075	904,299
Judicial	1,399,153	-	-	172,803	1,571,956
Health and public welfare	39,913	-	-	72,564	112,477
Library	-	-	-	193,034	193,034
Public works	-	2,190,978	1,821	-	2,192,799
Parks and recreation	-	-	-	99,519	99,519
Debt service:					
Principal retirement	33,300	103,367	-	55,166	191,833
Interest	459	3,973	-	5,384	9,816
Capital outlays:					
General government	55,580	-	-	-	55,580
Public Safety	84,691	-	-	2,375	87,066
Judicial	71,214	-	-	-	71,214
Public works	-	99,505	273,041	-	372,546
Parks and recreation	-	-	-	111,157	111,157
Total Expenditures	4,508,310	2,397,823	274,862	856,210	8,037,205
Excess (deficiency) of revenues over (under) expenditures	369,558	(1,893,241)	1,411,478	(308,999)	(421,204)
OTHER FINANCING SOURCES (USES)					
Transfers	(419,575)	1,663,498	(1,685,227)	394,627	(46,677)
Note/capital lease proceeds	66,124	-	273,750	-	339,874
Gain on sale of assets	5,899	5,155	-	-	11,054
Total other financing sources (uses)	(347,552)	1,668,653	(1,411,477)	394,627	304,251
Net Change in Fund Balance	22,006	(224,588)	1	85,628	(116,953)
Fund Balance, January 1	1,374,711	725,603	144,683	999,077	3,244,074
Fund Balance, December 31	\$ 1,396,717	\$ 501,015	\$ 144,684	\$ 1,084,705	\$ 3,127,121

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

**FRANKLIN COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net change in fund balances - statement of revenues, expenditures and changes in fund balances - governmental funds	\$ (116,953)
Current year capital outlays are expenditures in the fund financial statements but they are shown as an increase in capital assets in the government-wide financial statements.	697,563
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The effect of recording the current year's depreciation is to decrease net position.	(846,891)
Current year long-term debt principal payments on contractual obligations, bonds payable, and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	191,833
Current year debt proceeds are other financing sources in the governmental funds financial statements but are shown as an increase in liabilities in the government-wide financial statements.	(339,874)
Current year changes in compensated absences liabilities do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(2,654)
Current year changes in pension expense do not require the use of current resources; therefore, this is not reported as expenditures in governmental funds.	77,924
Net change in net position - statement of activities	<u><u>\$ (339,052)</u></u>

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

**FRANKLIN COUNTY, TEXAS
GENERAL FUND - SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (MODIFIED ACCRUAL BASIS) AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 3,373,469	\$ 3,373,469	\$ 3,391,672	\$ 18,203
Sales and use	404,615	404,615	389,155	(15,460)
Beverage	2,500	2,500	4,721	2,221
Fines and forfeitures	365,500	365,500	280,396	(85,104)
Licenses and permits	53,000	53,000	67,604	14,604
Charges for services	257,750	399,990	526,181	126,191
Grant and contributions	9,000	45,893	49,394	3,501
Intergovernmental	-	-	2,202	2,202
Investment income	46,100	46,100	43,320	(2,780)
Miscellaneous	117,333	139,442	123,223	(16,219)
Total Revenues	4,629,267	4,830,509	4,877,868	47,359
EXPENDITURES				
Current:				
General government	2,231,081	2,270,961	1,972,776	298,185
Public safety	935,715	941,046	851,224	89,822
Judicial	1,225,504	1,259,821	1,399,153	(139,332)
Health and public welfare	46,517	46,517	39,913	6,604
Debt service:				
Principal retirement	-	-	33,300	(33,300)
Interest	-	-	459	(459)
Capital outlay				
General government	40,000	40,000	55,580	(15,580)
Public safety	73,350	73,350	84,691	(11,341)
Judicial	-	-	71,214	(71,214)
Total Expenditures	4,552,167	4,631,695	4,508,310	123,385
Excess of revenues over expenditures	77,100	198,814	369,558	170,744
Other Financing Sources (uses)				
Transfers	(601,100)	(601,100)	(419,575)	181,525
Capital lease proceeds	-	-	66,124	66,124
Gain on sale of assets	-	-	5,899	5,899
Total other financing sources (uses)	(601,100)	(601,100)	(347,552)	253,548
Net Change in Fund Balances	(524,000)	(402,286)	22,006	424,292
Fund Balance, January 1	1,374,711	1,374,711	1,374,711	
Fund Balance, December 31	\$ 850,711	\$ 972,425	\$ 1,396,717	

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

**FRANKLIN COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
DECEMBER 31, 2015**

	<u>Airport Fund</u>
ASSETS	
Noncurrent assets:	
Capital assets:	
Land	\$ 394,372
Construction in progress	151,156
Building & Improvements	631,410
Less: accumulated depreciation	<u>(355,266)</u>
Total capital assets (net of accumulated depreciation)	<u>821,672</u>
Total noncurrent assets	<u>821,672</u>
Total Assets	<u><u>821,672</u></u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	371
Due to Other Funds	15,895
Total Current Liabilities	<u>16,266</u>
Total Liabilities	<u>16,266</u>
NET POSITION	
Net investment in capital assets	821,672
Unrestricted	<u>(16,266)</u>
Total Net Position	<u><u>\$ 805,406</u></u>

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

**FRANKLIN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Airport Fund</u>
OPERATING REVENUES:	
Charges for services	\$ 4,965
Total Operating Revenues	<u>4,965</u>
OPERATING EXPENSES:	
Supplies and materials	524
Maintenance and repair	195
Utilities	7,341
Depreciation	11,718
Total Operating Expenses	<u>19,778</u>
Operating Income (Loss)	<u>(14,813)</u>
NON-OPERATING REVENUES (EXPENSES):	
Transfers	46,677
Total Non-Operating Revenues	<u>46,677</u>
Change in Net Position	31,864
Net Position, January 1	<u>773,542</u>
Net Position, December 31	<u><u>\$ 805,406</u></u>

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

FRANKLIN COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Airport Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 4,965
Cash payments to suppliers for goods and services	<u>(8,060)</u>
Net cash provided by (used in) operating activities	<u>(3,095)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to/from other funds	<u>46,677</u>
Net cash used in noncapital financing activities	<u>46,677</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(43,583)</u>
Net cash used for capital and related financing activities	<u>(43,583)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operation Activities:	
Operating income (loss)	<u>\$ (14,813)</u>
Adjustments to reconcile operating income to net cash	
Provided by operating activities	
Depreciation	11,718
Changes in assets and liabilities	
Total adjustments	<u>11,718</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (3,095)</u>

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

FRANKLIN COUNTY, TEXAS
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 DECEMBER 31, 2015

	Tax Assessor/ Collector	County Clerk	County Attorney	District Clerk	Sheriff	Child Welfare Board	Justice of the Peace	Constable	Total Agency Funds
ASSETS									
Cash and Cash Equivalents	\$ 64,850	\$ 27,752	\$ 15,518	\$ 74,490	\$ 56,500	\$ 12,957	\$ 204	\$ 358	\$ 252,629
Total Assets	<u>64,850</u>	<u>27,752</u>	<u>15,518</u>	<u>74,490</u>	<u>56,500</u>	<u>12,957</u>	<u>204</u>	<u>358</u>	<u>252,629</u>
LIABILITIES									
Due to Other Governments or Individuals	64,850	27,752	15,518	74,490	56,500	12,957	204	358	252,629
Total Liabilities	<u>\$ 64,850</u>	<u>\$ 27,752</u>	<u>\$ 15,518</u>	<u>\$ 74,490</u>	<u>\$ 56,500</u>	<u>\$ 12,957</u>	<u>\$ 204</u>	<u>\$ 358</u>	<u>\$ 252,629</u>

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

**FRANKLIN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Franklin County, Texas ("County") reports in accordance with accounting principles generally accepted in the United States of America ("GAAP") as established by the Governmental Accounting Standards Board ("GASB") and the Financial Accounting Standards Board ("FASB"), when applicable. The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this note. The remainder of the notes are organized to provide concise explanation, including required disclosures of budgetary matters, assets, liabilities, fund equity, revenues, expenditures/expenses, and other information considered important to gaining a clear picture of the County's financial activities for the fiscal year ended December 31, 2015.

1. Reporting Entity

The County is a public corporation and a political subdivision of the State of Texas. A Commissioners' Court, composed of four (4) elected County Commissioners and one elected County Judge, governs the County. The County provides a vast number of services, including public safety, administration of justice, health and human services, culture and recreation, public improvements, and general administration.

Under GASB 14, component units are organizations for which the County is financially accountable and all other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the County appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the County. The County may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the County. GASB 39 added clarification to GASB 34 by including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

There are no component units of the County at the end of this current fiscal period.

2. Basis of Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the County's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the County's statement of net position includes both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expenses on the County's capital assets, including infrastructure.

In addition to the government-wide financial statements, the County has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses recorded at the time liabilities are incurred.

**FRANKLIN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Basis of Presentation (continued)

Management's Discussion and Analysis includes an analytical overview of the County's financial activities. In addition, a comparison schedule is presented that compares the original adopted and final amended General Fund budget with actual results.

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a functional category (General Government, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program services.

The net cost (by function) is normally covered by general revenue (property and sales taxes and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the funds financial statements. The major governmental funds are the General Fund, Road and Bridge Funds 1-4, and County-Wide Road and Bridge. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses or either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. There are many non-major funds in the governmental funds type.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principal ongoing operations. The principal operating revenues of the Airport Fund is lease revenue. Operating expenses for the proprietary fund includes the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government-wide focus is more on the sustainability of the County as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

3. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

**FRANKLIN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting (continued)

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, in other words, as soon as they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally 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 the obligation has matured and is due and payable shortly after year end as required by GASB Interpretation No. 6.

Ad valorem, sales tax revenues and other taxes collected in the General Fund, Road and Bridge Funds, and County-wide Road and Bridge Fund are recognized under the susceptible to accrual concept. Charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measureable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met.

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

The *General Fund* is the general operating fund of the County and is always classified as a major fund. This fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues, grant revenue and investment of idle funds.

The *Road & Bridge Funds* are used to account for the revenues restricted for the funding of road repairs and improvements and all expenditures related to the County roads. These funds are broken into two categories: the Road and Bridge Funds 1 - 4 which account for the individual road and bridge accounts of each commissioner and the County-wide Road and Bridge Fund which encompasses the activity for the entire County.

The *Courthouse Restoration Fund* is used to account for the revenues restricted for the funding of the courthouse restoration project and all expenditures related to the project.

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its Statement of Net Position. Proprietary funds are financed and operated in a manner similar to a private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or purpose. The following is a description of the proprietary fund:

The *Airport Fund* accounts for the operation of the Airport. Activities of the fund include the administration, operation and maintenance of the airport infrastructure. This fund also accounts for airport projects while under construction.

Additionally, the County reports the following fund type:

Fiduciary Fund financial statements include fiduciary funds, which are classified as agency funds used to account for assets held by the County as an agent for individuals, other governments, and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The following are the County's agency funds:

**FRANKLIN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting (continued)

County Clerk, District Clerk, County Attorney, and Sheriff funds - used to account for funds received with the ultimate disposition of receipts to be determined at a future date.

Tax Assessor/Collector - used to account for initial receipt and distribution to proper parties of taxes and fees collected for various entities of government.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

Cash of several funds is pooled into a common interest-bearing bank account in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash has equity therein, and interest earned on these monies is allocated based upon relative equity at each month end.

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.

b. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through contractual provisions or enabling legislation.

c. Receivables and Payables

Property taxes are levied prior to September 30 based on taxable values as of January 1 and become due October 1 and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected in the government-wide financial statements based on the full accrual method of accounting. Property tax receivables for the current year's levy are shown net of an allowance for uncollectible accounts.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time eligibility requirements have been met and reimbursable costs are incurred.

Reimbursements for services performed are recorded as receivables and revenues when they become eligible for accrual in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements.

Lending or borrowing between funds is reflected as "due to" or "due from". Interfund activity reflected in "due to" or "due from" is eliminated on the government-wide statements.

d. Inventories and Prepaid Items

Inventory is valued at market cost. Reported inventories are offset by a restriction of fund balance, which indicates that they do not constitute "available resources" even though they are a component of current fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**FRANKLIN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

e. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The County defines capital assets as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. There was no capitalized interest for this fiscal year.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & Improvements	10-50 years
Machinery & Equipment	5-10 years
Vehicles	5-7 years
Infrastructure	15-40 years

f. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. The 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 (expenses/expenditures) until then. The County has one item that qualifies in this category. The difference between projected and actual investment earnings that are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred in the County's pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has one item that qualifies for reporting in this category. Accordingly, the item unavailable revenue is reported in the governmental funds balance sheet and government-wide statement of net position. Deferred revenue from property taxes is shown as deferred inflows of resources. The amount is deferred and recognized as inflows of resources in the period that the amounts become available.

g. Compensated absences

A liability for unused paid time off accruals and compensatory time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences; a) leave or compensation is attributable to services already rendered, and b) leave or compensation is not contingent on a specific event (such as illness).

These accrued liabilities are typically paid by the General Fund for the governmental fund-types.

**FRANKLIN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

h. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line interest method. This method has been compared to the effective interest method and the difference was found to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

i. 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 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.

j. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the County is bound to honor constraints on how specific amounts can be spent.

- *Nonspendable fund balance* - represents fund balance associated with inventory, prepaid items, endowments, and notes receivable. The cash outlay for these types of items has already been made and therefore, the resources represented by this fund balance category cannot be spent again.
- *Restricted fund balance* - represents amounts that can be spent only on the specific purposes stipulated by law or by the external providers of those resources.
- *Committed fund balance* - includes amounts that can be used only for the specific purposes determined by a motion and approval of the Commissioners' Court, the highest level of decision-making authority.
- *Assigned fund balance* - represents amounts intended to be used for specific purposes but not meeting the criteria to be reported as committed or restricted fund balance. The governing body or the County Auditor have the authority to assign fund balance.
- *Unassigned fund balance* - represents the residual classification of fund balance and includes all spendable amounts not contained within the other classifications.

It is the County's policy, that restricted fund balances be applied first, then committed and assigned before unassigned.

The purpose of the County's fund balance policy is to maintain a prudent level of financial resources to protect against reducing service levels or raising taxes and fees because of temporary revenue shortfalls or unprecedented one-time expenditures.

**FRANKLIN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts

j. Fund Equity (continued)

It is the long-term goal of the County to maintain a minimum fund balance in the General Fund (total of committed, assigned and unassigned fund balances) equal to three months of the annual operating expenditures. The County is currently in compliance with this policy.

k. Fund Balance Flow Assumption

Sometime 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 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.

l. Federal and State Grants

Grants and shared revenues are generally accounted for within the fund financed. Federal grants are from various federal and state agencies, including Homeland Security, which are accounted for in a non-major fund. Most state funded grants, including the Texas Historic Commission, are accounted for in non-major funds as well.

m. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

n. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the County. Assessed value represents the appraisal value less applicable exemptions authorized by the Commissioners' Court. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at the fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years; however, the County may, at its own expense, require annual reviews of appraisal values. The County may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The Texas Comptroller of Public Accounts Truth-In-Taxation Guide for setting tax rates limits the tax rate for counties to \$1.25 per \$100 value of taxable property. The County's property tax rate is \$0.471015.

**FRANKLIN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4. Financial Statement Amounts (continued)

o. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

p. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

q. Program Revenues

Certain revenues such as charges for services are included in program revenues.

r. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None	N/A

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Action Taken</u>
None	N/A

3. Budgets and Budgetary Accounting

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

**FRANKLIN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

B. COMPLIANCE AND ACCOUNTABILITY

3. Budgets and Budgetary Accounting (continued)

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

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

C. DEPOSITS AND INVESTMENTS

The County's investment policy is in accordance with the laws of the State of Texas. The policies identify authorized investments and investment terms, collateral requirements and safekeeping requirements for collateral.

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At December 31, 2015, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,711,144 and the bank balance was \$4,450,212. The County's cash deposits at December 31, 2015 and during the year ended December 31, 2015, were entirely covered by FDIC or by pledged collateral held by the County's agent bank in the County's name.

Cash and investments as of December 31, 2015 consist of and are classified in the accompanying financial statements as follows:

Restricted Cash

General Government	
Justice court	\$ 58,139
Endowment	280,753
Hotel use	47,782
Records	263,918
Revolving loan	29,786
	<u>\$ 680,378</u>

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

Investment Accounting Policy

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at value unless a legal contract exists which guarantee a higher value. The term "short-term" refers to investments which have a remaining term of two years or less at time of purchase. The term "non-participating" means that the investments value does not vary with market interest rate changes. Non-negotiable certificates of deposits are examples of non-participating interest-earning investment contracts.

**FRANKLIN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

C. DEPOSITS AND INVESTMENTS

Cash Deposits (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Act and the County's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investment, other than the following provisions for deposits: the Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledged securities in an undivided collateral pool held by a deposit depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC at all times.

As of December 31, 2015, the County is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

D. RECEIVABLES

Receivables as of year end for the government's individual major funds and non-major funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Road & Bridge</u>	<u>Totals</u>
Receivables:				
Taxes	\$ 2,441,802	\$ 44,387	\$ 1,149,900	\$ 3,636,089
Fees and Charges	1,228,711	-	-	1,228,711
Gross Receivables	<u>3,670,513</u>	<u>44,387</u>	<u>1,149,900</u>	<u>4,864,800</u>
Less: allowance for uncollectible	<u>(1,332,565)</u>	<u>(7,487)</u>	<u>(83,943)</u>	<u>(1,423,995)</u>
Net Total Receivables	<u>\$ 2,337,948</u>	<u>\$ 36,900</u>	<u>\$ 1,065,957</u>	<u>\$ 3,440,805</u>

E. NOTES RECEIVABLE

As of December 31, 2015, six notes receivable were outstanding under a U.S. Department of HUD revolving loan fund program:

	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
N/R-Impact Printing	4%	\$ 35,531	\$ 25,645	\$ -	\$ (2,968)	\$ 22,677	\$ 3,650
N/R-Party Barn	4%	47,824	13,496	-	(4,881)	8,615	4,479
N/R-Fitness Center	4%	35,000	20,228	-	(3,597)	16,631	4,035
N/R-Mt Vernon Mower	4%	25,000	19,205	-	-	19,205	3,044
N/R-Cypress Cajun	4%	30,000	25,291	-	-	25,291	3,000
N/R-Family Health Ctr	1%	80,000	80,000	-	(3,376)	76,624	5,382
		<u>\$ 253,355</u>	<u>\$ 183,865</u>	<u>\$ -</u>	<u>\$ (14,822)</u>	<u>\$ 169,043</u>	<u>\$ 23,590</u>

**FRANKLIN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

F. CAPITAL ASSETS

Capital asset activity for the period ended December 31, 2015 was as follows:

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 713,155	\$ -	\$ -	\$ -	\$ 713,155
Construction-In-Progress	47,287	-	95,903	-	143,190
Total capital assets, not being depreciated:	<u>760,442</u>	<u>-</u>	<u>95,903</u>	<u>-</u>	<u>856,345</u>
Capital assets, being depreciated:					
Infrastructure	9,165,000	-	-	-	9,165,000
Buildings and Improvements	13,648,396	-	22,300	-	13,670,696
Machinery & Equipment	5,993,006	-	579,360	(264,020)	6,308,346
Total capital assets being depreciated:	<u>28,806,402</u>	<u>-</u>	<u>601,660</u>	<u>(264,020)</u>	<u>29,144,042</u>
Total Fixed Assets	<u>29,566,844</u>	<u>-</u>	<u>697,563</u>	<u>(264,020)</u>	<u>30,000,387</u>
Less accumulated depreciation for:					
Infrastructure	(5,803,905)	-	(183,300)	-	(5,987,205)
Buildings and Improvements	(3,246,946)	-	(294,686)	-	(3,541,632)
Machinery & Equipment	(4,810,202)	-	(368,905)	264,020	(4,915,087)
Total accumulated depreciation:	<u>(13,861,053)</u>	<u>-</u>	<u>(846,891)</u>	<u>264,020</u>	<u>(14,443,924)</u>
Total capital assets, being depreciated, net	<u>14,945,349</u>	<u>-</u>	<u>(245,231)</u>	<u>-</u>	<u>14,700,118</u>
Governmental activities capital assets, net	<u>\$ 15,705,791</u>	<u>\$ -</u>	<u>\$ (149,328)</u>	<u>\$ -</u>	<u>\$ 15,556,463</u>
Business-type Activities					
Capital assets, not being depreciated:					
Land	\$ 394,372	\$ -	\$ -	\$ -	\$ 394,372
Construction-In-Progress	107,573	-	43,583	-	151,156
Total capital assets, not being depreciated:	<u>501,945</u>	<u>-</u>	<u>43,583</u>	<u>-</u>	<u>545,528</u>
Capital assets, being depreciated:					
Buildings and Improvements	631,410	-	-	-	631,410
Total capital assets being depreciated:	<u>631,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>631,410</u>
Total Fixed Assets	<u>1,133,355</u>	<u>-</u>	<u>43,583</u>	<u>-</u>	<u>1,176,938</u>
Less accumulated depreciation for:					
Buildings and Improvements	(343,548)	-	(11,718)	-	(355,266)
Total accumulated depreciation:	<u>(343,548)</u>	<u>-</u>	<u>(11,718)</u>	<u>-</u>	<u>(355,266)</u>
Total capital assets, being depreciated, net	<u>287,862</u>	<u>-</u>	<u>(11,718)</u>	<u>-</u>	<u>276,144</u>
Business-type activities capital assets, net	<u>\$ 789,807</u>	<u>\$ -</u>	<u>\$ 31,865</u>	<u>\$ -</u>	<u>\$ 821,672</u>

**FRANKLIN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

F. CAPITAL ASSETS (continued)

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

Governmental activities:		
General Government		\$ 136,027
Public Safety		165,528
Judicial		156,749
Public Works		388,587
Total depreciation expense - governmental activities		<u>\$ 846,891</u>
Business-type activities:		
Airport		\$ 11,718
Total depreciation expense - business-type activities		<u>\$ 11,718</u>

G. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended December 31, 2014, is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Note payable	\$ 422,973	\$ 273,750	\$ (175,277)	\$ 521,446	\$ 175,410
Capital lease payable	16,556	66,124	(16,556)	66,124	-
Compensated absences	88,788	99,569	(96,915)	91,442	43,047
Governmental activity Long-term liabilities	<u>\$ 528,317</u>	<u>\$ 439,443</u>	<u>\$ (288,748)</u>	<u>\$ 679,012</u>	<u>\$ 218,457</u>

Changes in Governmental Long-term Debt

Description	Interest Rate Payable	Amounts Issue	Amounts Outstanding December 31,		Retired	Amounts Outstanding December 31,		Due Within One Year
			2014	Increase		2015		
Limited tax note	1.70%	\$ 400,000	\$ 331,713	\$ -	\$ (55,166)	\$ 276,547	\$ 56,327	
Note Payable-TADC	2.05%	57,960	57,960	-	(28,687)	29,273	29,273	
Texas American Bank	1.60%	273,750	-	273,750	(58,124)	215,626	89,810	
Note Payable-Caprice	1.95%	33,300	33,300	-	(33,300)	-	-	
Total notes payable		<u>765,010</u>	<u>422,973</u>	<u>273,750</u>	<u>(175,277)</u>	<u>521,446</u>	<u>175,410</u>	
City Tele- Coin Company	0.00%	66,124	-	66,124	-	66,124	-	
Capital Lease-dump truck	1.65%	75,488	16,556	-	(16,556)	-	-	
Total capital lease		<u>141,612</u>	<u>16,556</u>	<u>66,124</u>	<u>(16,556)</u>	<u>66,124</u>	<u>-</u>	
Total Long Term Obligations		906,622	439,529	339,874	(191,833)	587,570	175,410	
Compensated Absences		-	88,788	99,569	(96,915)	91,442	43,047	
Totals		<u>\$ 906,622</u>	<u>\$ 528,317</u>	<u>\$ 439,443</u>	<u>\$ (288,748)</u>	<u>\$ 679,012</u>	<u>\$ 218,457</u>	

Compensated absences represent the estimated liability for employees' accrued vacation leave for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the General Fund.

**FRANKLIN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

G. LONG-TERM OBLIGATIONS (continued)

Notes Payable

The County issued Limited Tax Notes, Series 2013 thru Guaranty Bond Bank on September 15, 2013 in the amount of \$400,000. The purpose of the note is to fund a portion of the Courthouse renovation. The interest rate is 1.70% and the maturity date is September 15, 2020.

The County entered into a note payable with Guaranty Bond Bank in the amount of \$57,960 in May 2014 for the purchase of a 2007 TADC truck. This is a lease with two annual payments at an interest rate of 2.05%. The equipment has a ten year estimated life. This year, \$3,381 was included in depreciation expense in relation to the vehicle.

The County entered into a note payable with Texas American Bank in the amount of \$273,750 in July 2015 for the purchase of a chip sealer and oil distributor truck. This note will be paid in three annual payments with an interest rate of 1.60%. The equipment has a ten year estimated life. This year, \$3,978 was included in depreciation expense in relation to the equipment.

The County entered into a note payable with Guaranty Bond Bank in the amount of \$33,300 in May 2014 for the purchase of a Chevy Caprice. This is a lease with one annual payment at an interest rate of 1.95%. The equipment has a ten year estimated life. This year, \$866 was included in depreciation expense in relation to the vehicle.

Debt service requirements for notes payable are as follows:

Year Ending December 31:	Principal	Interest	Total Requirements
2016	\$ 175,410	\$ 9,333	\$ 184,743
2017	148,550	6,318	154,868
2018	92,855	3,878	96,733
2019	59,281	1,397	60,678
2020	45,350	385	45,735
Totals	<u>\$ 521,446</u>	<u>\$ 21,311</u>	<u>\$ 542,757</u>

Capital Lease

The County entered into a capital lease payable with City Tele-Coin Co. in the amount of \$66,124 during FY2015 for video visitation system at the County jail. The payments for this lease are based on commissions earned for the use of the system. 57% of commissions earned are to be paid toward this lease. This lease is due until paid in full.

H. PENSION PLAN

1. Plan Description

The County provides retirement, disability, and death benefits for all of its regular fulltime employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer retirement system. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available on their website at www.TCDRS.org.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plan 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 constructed 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) of a participating employer must be enrolled in the plan.

TCDRS does not receive funding from the State of Texas. Each plan is funded by employers, members, and investment earnings. TCDRS is administered by a nine-person board of trustees appointed by the governor and confirmed by the Texas Senate. The board appoints a director, who is responsible for the day-to-day operations, and a chief investment officer, who oversees investment operations.

**FRANKLIN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

H. PENSION PLAN (continued)

2. Benefits Provided

TCDRS provides retirement, disability, and survivor benefits. Benefit provisions are adopted by the Board, within the options available in the TCDRS Act.

At retirement, retirees elect to receive their monthly lifetime benefit by choosing from one of the seven payment options. Employers may allow partial lump-sum payments. This allows the retiring member to receive an immediate lump-sum payment not to exceed their account balance, and choose a reduced monthly lifetime benefit from the payment options.

Plan provisions for the County were as follows:

	Plan Year	
	2015	2014
Deposit rate for employee	7.0%	7.0%
Contribution rate for County	12.0%	12.0%
Years required for vesting	8 yrs	8 yrs
Rule of age for retirement	75 yrs of age	75 yrs of age
Service years for retirement of any age	30 yrs	30 yrs
Partial lump-sum payment option	NO	NO

3. Contributions

The contribution rates for employees in TCDRS is 4%, 5%, 6%, or 7% of employee's gross earnings, and the County is required, by law, to contribute at actuarially determined rates that are determined annually. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the County were required to contribute 7% of their annual earnings during the fiscal year. The contribution rates for the County were 12% and 12% in calendar years 2014 and 2015, respectively. The County's contributions to TCDRS for the current fiscal year were \$312,037 and were equal to the required contributions.

4. Net Pension Liability

The County's net pension liability (NPL) was measured as of December 31, 2014, and the total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The TPL in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5.0%
Inflation	3.0%
Long-term investment return	8.0%

**FRANKLIN COUNTY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

H. PENSION PLAN

4. Net Pension Liability (continued)

The annual salary increase rates for individual member 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.

Employer-specific economic assumptions:

Growth in membership	0.0%
Payroll growth	3.5%

<i>Discount rate</i>	<u>12/31/2013</u>	<u>12/31/2014</u>
Discount rate	8.10%	8.10%
Long-term expected rate of return, net of investment expense	8.10%	8.10%
Municipal bond rate	does not apply	does not apply

The discount rate reflects the long-term rate of return funding valuation assumption of 8.00% plus 0.10% adjustment to be gross of administrative expense

The plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Investment decisions of the TCDRS Board of Trustees are subject to the Texas Constitution, the TCDRS Act, and to the applicable statutory provisions of the Texas Trust Code that provide for a "prudent investor" standard of care. The Board has established a long-term target investment return of 8% and has diversified the TCDRS portfolio to include equities, hedge funds, high-yield investments, private equity, real assets, and investment-grade bonds. The target allocation and best estimates of real rates for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Return</u>
Domestic Equity	16.50%	5.35%
Global Equities	1.5% - 11.0%	5.35% - 5.65%
Hedge Funds	25.00%	5.15%
High-Yield Investments	3.0% - 5.0%	3.75% - 5.54%
Private Equity	12.00%	8.35%
Distressed Debt	3.00%	6.75%
Investment-Grade Bonds	3.00%	55.00%
Direct Lending	2.00%	5.80%
REIT Equities	2.00%	4.00%
Commodities	2.00%	-0.20%
Master Limited Partnership	2.00%	5.30%
Private Real Estate Partnership	3.00%	7.20%

Sensitivity analysis

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total pension liability	\$11,365,050	\$ 10,127,123	\$ 9,102,935
Fiduciary net position	9,849,090	9,849,090	9,849,090
Net pension liability / (asset)	<u>\$ 1,515,960</u>	<u>\$ 278,033</u>	<u>\$ (746,155)</u>

**FRANKLIN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

H. PENSION PLAN (continued)

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

For the year ended December 31, 2015, the County recognized pension expense of \$234,858.

As of December 31, 2014, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 57,071
Changes of assumptions	-	-
Net difference between projected and actual earning	-	96,793
Contributions made subsequent to measurement date	N/A	-

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:		
2015	\$	43,222
2016		43,222
2017		43,222
2018		24,198
2019		-
**Thereafter		-

**Additional future deferred inflows and outflows of resources may impact these numbers.

6. Group Term Life Insurance

The County participates in a cost-sharing multiple-employer defined benefit group-term life insurance plan operated by the TCDRS. This plan is referred to as the Group Term Life Fund ("GTLF"). This optional plan provides group term life insurance coverage to current eligible employees and, if elected by employers, to retired employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits ("OPEB"). Retired employees are insured for \$5,000.

The GTLF is a separate trust administered by the TCDRS board of trustees. Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. The County contributions to the GTLF for the years ended 2014, 2013, and 2012 were \$17,102, \$16,375, and \$13,853, respectively, which equaled the contractually required contributions each year.

I. HEALTH CARE COVERAGE

During the year ended December 31, 2015, employees of the County were covered by a health plan with Blue Cross Blue Shield. The County pays all of the employees insurance premium which is \$624 per month per employee. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. The plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

J. 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. The County had general liability coverage at a cost that is considered to be economically justifiable. There were no significant reductions in commercial insurance coverage in the past year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**FRANKLIN COUNTY, TEXAS
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

K. GRANTS

The County participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2015, may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

L. LITIGATION

A lawsuit is pending in which the County is involved. It is the opinion of County management that the County has adequate legal defenses and/or insurance coverage respecting each action and believes that the ultimate outcome of the lawsuit will not have a material adverse effect on the County's financial position.

M. CONSTRUCTION COMMITMENTS

The County has active construction projects as of December 31, 2015. The projects include the sports complex ball fields and the airport project.

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Sports complex	\$ 143,190	\$ 90,000
Airport project	151,156	54,344
Totals	<u>\$ 294,346</u>	<u>\$ 144,344</u>

N. TRANSFERS

Current transfers between funds during the year were as follows:

<u>Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Totals</u>
General Fund	\$ (212,048)	\$ (230,408)	\$ (442,456)
Road and Bridge Funds (1-4)	1,664,935	-	1,664,935
Road and Bridge County-Wide Fund	-	(1,497,832)	(1,497,832)
Courthouse restoration Fund	-	-	-
Other Funds	269,732	(41,055)	228,677
Airport Fund	46,676	-	46,676
Total Major Funds	<u>\$ 1,769,295</u>	<u>\$ (1,769,295)</u>	<u>\$ -</u>

Transfers are used to 1) transfer debt service payments and 2) transfer fixed assets and fixed asset purchases.

O. PRIOR PERIOD ADJUSTMENTS

One prior period adjustment was recorded in the amount of (\$110,689) in the governmental activities to record the beginning balance of net pension liability as required with the adoption of GASB Statement No. 68.

P. SUBSEQUENT EVENTS

The County has evaluated all events or transactions that occurred after December 31, 2015 up through August 2, 2016, the date the financial statements were available to be issued. During this period, the County identified no material subsequent events requiring disclosure.



REQUIRED SUPPLEMENTARY INFORMATION



**FRANKLIN COUNTY, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2015**

**TCDRS FUNDING PROGRESS AND CONTRIBUTIONS
 LAST TWO FISCAL YEARS (UNAUDITED)**

Fiscal Year	Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) -Unit Credit	(3) Unfunded (Overfunded) Actuarial Accrued Liability UAAL (OAAL) (2)-(1)	(4) Funded Percent (1)/(2)	(5) Covered Payroll	(6) UAAL as Percent of Covered Payroll (3)/(5)
2014	12/31/2013	\$ 6,540,874	\$ 7,356,003	\$ 815,129	88.92%	\$ 2,354,261	34.62%
2015	12/31/2014	7,150,222	8,166,084	1,015,862	87.56%	2,491,125	40.78%

**SCHEDULE OF CONTRIBUTIONS
 LAST TWO FISCAL YEARS (UNAUDITED)**

	<u>12/31/2014</u>	<u>12/31/2013</u>
Actuarially determined contribution	\$ 276,515	\$ 254,260
Contributions in relation to the actuarially determined contribution	\$ 298,937	\$ 257,169
Contributions deficiency (excess)	\$ (22,422)	\$ (2,909)
Covered employee payroll	\$ 2,491,125	\$ 2,354,261
Contributions as a percentage of covered employee payroll	12.0%	10.9%

Note: Year will continue to be added until there are 10 years for comparison

**FRANKLIN COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS**

	<u>12/31/2014</u>
Total Pension Liability	
Service Cost	\$ 316,773
Interest on total pension liability	757,571
Effect of plan changes	-
Effect of economic/demographic (gains) or losses	76,095
Benefit payments/refunds of contributions	<u>(433,060)</u>
Net change in total pension liability	<u>717,379</u>
Total pension liability, beginning	<u>9,409,745</u>
Total pension liability, ending	<u>\$ 10,127,124</u>
Fiduciary Net Position	
Employer contributions	\$ 298,937
Member contributions	174,379
Investment income net of investment expenses	633,076
Benefit payments/refunds of contributions	(433,060)
Administrative expenses	(7,344)
Other	<u>(38,394)</u>
Net change in fiduciary net position	<u>627,594</u>
Fiduciary net position, beginning	<u>9,221,497</u>
Fiduciary net position, ending	<u>\$ 9,849,091</u>
Net pension liability/(asset)	<u>\$ 278,033</u>
Fiduciary net position as a % of total pension liability	97.25%
Pensionable covered payroll	\$ 2,491,125
Net pension liability as a % of covered payroll	11.16%

Note: Year will continue to be added until there are 10 years for comparison

SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY, TEXAS
 COMBINING BALANCE SHEET - MAJOR
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2015

	<u>Road and Bridge #1</u>	<u>Road and Bridge #2</u>	<u>Road and Bridge #3</u>	<u>Road and Bridge #4</u>	<u>Total</u>
Assets					
Cash and cash equivalents	\$ 210,259	\$ 206,688	\$ 132,268	\$ 83,834	\$ 633,049
Receivables (net of allowance for uncollectible)	50,082	67,057	40,004	36,877	194,020
Due from other funds	-	20,000	-	-	20,000
Total Assets	<u>260,341</u>	<u>293,745</u>	<u>172,272</u>	<u>120,711</u>	<u>847,069</u>
Liabilities					
Accounts payable	6,940	19,373	7,009	8,127	41,449
Accrued expenses	-	583	471	954	2,008
Due to other funds	20,000	111	(926)	-	19,185
Accrued interest payable	-	-	3,979	-	3,979
Total Liabilities	<u>26,940</u>	<u>20,067</u>	<u>10,533</u>	<u>9,081</u>	<u>66,621</u>
Deferred Inflows of Resources					
Unearned revenues	87,183	59,464	69,355	63,431	279,433
Total Deferred Inflows of Resources	<u>87,183</u>	<u>59,464</u>	<u>69,355</u>	<u>63,431</u>	<u>279,433</u>
Fund Balances					
Assigned	146,218	214,214	92,384	48,199	501,015
Total Fund Balances	<u>146,218</u>	<u>214,214</u>	<u>92,384</u>	<u>48,199</u>	<u>501,015</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 260,341</u>	<u>\$ 293,745</u>	<u>\$ 172,272</u>	<u>\$ 120,711</u>	<u>\$ 847,069</u>

**FRANKLIN COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE - MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Road and Bridge #1</u>	<u>Road and Bridge #2</u>	<u>Road and Bridge #3</u>	<u>Road and Bridge #4</u>	<u>Total</u>
REVENUES					
Taxes:					
Property	\$ 86,789	\$ 59,194	\$ 69,042	\$ 63,144	\$ 278,169
Charges for services	43,940	29,970	34,955	31,969	140,834
Grants and contributions	3,164	35,800	3,164	3,164	45,292
Investment income	7,731	6,683	4,633	3,942	22,989
Miscellaneous	286	1,465	7,092	8,455	17,298
Total Revenues	<u>141,910</u>	<u>133,112</u>	<u>118,886</u>	<u>110,674</u>	<u>504,582</u>
EXPENDITURES					
Current:					
Roads and bridges	659,368	544,042	507,886	479,682	2,190,978
Capital outlay	-	58,000	39,122	2,383	99,505
Debt service:					
Principal	43,438	14,686	-	45,243	103,367
Interest	-	2,314	-	1,659	3,973
Total Expenditures	<u>702,806</u>	<u>619,042</u>	<u>547,008</u>	<u>528,967</u>	<u>2,397,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(560,896)</u>	<u>(485,930)</u>	<u>(428,122)</u>	<u>(418,293)</u>	<u>(1,893,241)</u>
Other Revenues and Financing Sources (Uses)					
Sale of assets	5,155	-	-	-	5,155
Transfers	519,693	353,671	413,698	376,436	1,663,498
Total Other Financing Sources (Uses)	<u>524,848</u>	<u>353,671</u>	<u>413,698</u>	<u>376,436</u>	<u>1,668,653</u>
Net Change in Fund Balances	(36,048)	(132,259)	(14,424)	(41,857)	(224,588)
Fund Balances, Beginning of year	182,266	346,473	106,808	90,056	725,603
Fund Balances, End of year	<u>\$ 146,218</u>	<u>\$ 214,214</u>	<u>\$ 92,384</u>	<u>\$ 48,199</u>	<u>\$ 501,015</u>

FRANKLIN COUNTY, TEXAS
 COMBINING BALANCE SHEET - NONMAJOR
 GOVERNMENTAL FUNDS
 DECEMBER 31, 2015

	Bruce Endowment Library	Record Retention	Health Care	Indigent Health Care	County Record Retention
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 62,594	\$ 1,542	\$ -
Receivables (net of allowance for uncollectibles)	-	-	-	-	-
Due from general fund	-	-	-	-	-
Inventory	-	-	-	-	-
Notes receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Cash and cash equivalents - restricted	280,753	152,411	-	-	27,657
Total Assets	<u>280,753</u>	<u>152,411</u>	<u>62,594</u>	<u>1,542</u>	<u>27,657</u>
Liabilities					
Accounts payable	150	-	325	1,542	-
Accrued expenses	-	-	-	-	-
Total Liabilities	<u>150</u>	<u>-</u>	<u>325</u>	<u>1,542</u>	<u>-</u>
Deferred Inflows of Resources					
Unearned revenues	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable:					
Endowment	271,626	-	-	-	-
Inventory	-	-	-	-	-
Prepaid items	-	-	-	-	-
Notes receivable	-	-	-	-	-
Restricted:					
Library	8,977	-	-	-	-
Court use	-	-	-	-	-
Hotel	-	-	-	-	-
Debt service	-	-	-	-	-
Assigned	-	152,411	62,269	-	27,657
Total Fund Balances	<u>280,603</u>	<u>152,411</u>	<u>62,269</u>	<u>-</u>	<u>27,657</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 280,753</u>	<u>\$ 152,411</u>	<u>\$ 62,594</u>	<u>\$ 1,542</u>	<u>\$ 27,657</u>

<u>County Free Library</u>	<u>Archival Fund</u>	<u>Record Mgmt District Clerk</u>	<u>District Clerk Technology</u>	<u>Courthouse Security</u>	<u>Justice Court Technology</u>	<u>State Grant</u>	<u>Attorney Check Collection</u>
\$ 39,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,498
3	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	169,043	-
-	-	-	-	-	11,398	-	-
-	63,857	19,993	3,684	52,423	2,032	29,786	-
<u>39,477</u>	<u>63,857</u>	<u>19,993</u>	<u>3,684</u>	<u>52,423</u>	<u>13,430</u>	<u>198,829</u>	<u>6,498</u>
5,636	-	-	-	181	-	-	-
834	-	-	-	-	-	-	-
<u>6,470</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	11,398	-	-
-	-	-	-	-	-	169,043	-
-	-	-	-	-	-	-	-
-	-	-	3,684	52,242	2,032	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
33,007	63,857	19,993	-	-	-	29,786	6,498
<u>33,007</u>	<u>63,857</u>	<u>19,993</u>	<u>3,684</u>	<u>52,242</u>	<u>13,430</u>	<u>198,829</u>	<u>6,498</u>
<u>\$ 39,477</u>	<u>\$ 63,857</u>	<u>\$ 19,993</u>	<u>\$ 3,684</u>	<u>\$ 52,423</u>	<u>\$ 13,430</u>	<u>\$ 198,829</u>	<u>\$ 6,498</u>

(continued)

FRANKLIN COUNTY, TEXAS
 COMBINING BALANCE SHEET - NONMAJOR
 GOVERNMENTAL FUNDS (continued)
 DECEMBER 31, 2015

	State Agency	Recreation Facility	Hotel Motel Tax	County Law Library	Debt Service
ASSETS					
Cash and cash equivalents	\$ 33,386	\$ 23,903	\$ -	\$ 41,305	\$ 31,161
Receivables (net of allowance for uncollectibles)	-	95	-	-	36,802
Due from general fund	-	-	-	-	-
Inventory	-	-	-	-	-
Notes receivable	-	-	-	-	-
Prepaid items	-	-	-	-	-
Cash and cash equivalents - restricted	-	-	47,782	-	-
Total Assets	33,386	23,998	47,782	41,305	67,963
Liabilities					
Accounts payable	33,386	5,827	-	33	-
Accrued expenses	-	-	-	-	-
Total Liabilities	33,386	5,827	-	33	-
Deferred Inflows of Resources					
Unearned revenues	-	-	-	-	54,877
Total Deferred Inflows of Resources	-	-	-	-	54,877
Fund Balances					
Nonspendable:					
Endowment	-	-	-	-	-
Inventory	-	-	-	-	-
Prepaid items	-	-	-	-	-
Notes receivable	-	-	-	-	-
Restricted:					
Library	-	-	-	-	-
Court use	-	-	-	-	-
Hotel	-	-	47,782	-	-
Debt service	-	-	-	-	13,086
Assigned	-	18,171	-	41,272	-
Total Fund Balances	-	18,171	47,782	41,272	13,086
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 33,386	\$ 23,998	\$ 47,782	\$ 41,305	\$ 67,963

<u>Commissary</u>	<u>Total</u>
\$ 44,518	\$ 284,381
-	36,900
-	-
9,056	9,056
-	169,043
-	11,398
-	680,378
<u>53,574</u>	<u>1,191,156</u>
3,660	50,740
-	834
<u>3,660</u>	<u>51,574</u>
-	54,877
-	<u>54,877</u>
-	271,626
9,056	9,056
-	11,398
-	169,043
-	8,977
-	57,958
-	47,782
-	13,086
40,858	495,779
<u>49,914</u>	<u>1,084,705</u>
<u>\$ 53,574</u>	<u>\$ 1,191,156</u>

**FRANKLIN COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Bruce Endowment Library	Record Retention	Health Care	Indigent Health Care	County Record Retention	County Free Library
REVENUES						
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Permits and fees	-	51,847	-	-	2,390	6,240
Hotel taxes	-	-	-	-	-	-
Property taxes	-	-	-	-	-	-
Investment income	3,262	2,196	-	10	392	590
Grants and contributions	-	-	-	4,018	-	14,995
Donations	-	-	-	-	-	224
Commissary sales	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	2,720
Total Revenues	3,262	54,043	-	4,028	2,782	24,769
EXPENDITURES						
Current:						
General government	-	34,432	-	-	-	-
Public safety	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Health and public welfare	-	-	52,324	20,240	-	-
Library	4,000	-	-	-	-	189,034
Public works	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlays	-	-	-	-	-	-
Total Expenditures	4,000	34,432	52,324	20,240	-	189,034
Net operating income (loss)	(738)	19,611	(52,324)	(16,212)	2,782	(164,265)
Other Financing Sources (Uses)						
Capital lease proceeds	-	-	-	-	-	-
Transfers	-	-	90,833	15,562	-	164,266
Total Other Financing Sources (Uses)	-	-	90,833	15,562	-	164,266
Net Change in Fund Balances	(738)	19,611	38,509	(650)	2,782	1
Fund Balances, Beginning of year	281,341	132,800	23,760	650	24,875	33,006
Fund Balances, End of year	\$ 280,603	\$ 152,411	\$ 62,269	\$ -	\$ 27,657	\$ 33,007

<u>Archival Fund</u>	<u>Record Mgmt District Clerk</u>	<u>District Clerk Technology</u>	<u>Courthouse Security</u>	<u>Justice Court Technology</u>	<u>State Grant</u>	<u>Attorney Check Collection</u>
\$ -	\$ -	\$ -	\$ 8,907	\$ 4,374	\$ -	\$ -
30,864	2,500	1,585	-	-	-	501
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,017	277	-	713	142	4,643	128
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>31,881</u>	<u>2,777</u>	<u>1,585</u>	<u>9,620</u>	<u>4,516</u>	<u>4,643</u>	<u>629</u>
21,835	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	1,180	10,136	-	4,719
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>21,835</u>	<u>-</u>	<u>-</u>	<u>1,180</u>	<u>10,136</u>	<u>-</u>	<u>4,719</u>
10,046	2,777	1,585	8,440	(5,620)	4,643	(4,090)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,046	2,777	1,585	8,440	(5,620)	4,643	(4,090)
53,811	17,216	2,099	43,802	19,050	194,186	10,588
<u>\$ 63,857</u>	<u>\$ 19,993</u>	<u>\$ 3,684</u>	<u>\$ 52,242</u>	<u>\$ 13,430</u>	<u>\$ 198,829</u>	<u>\$ 6,498</u>

(continued)

FRANKLIN COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>State Agency</u>	<u>Recreation Facility</u>	<u>Hotel Motel Tax</u>	<u>County Law Library</u>	<u>Debt Service</u>
REVENUES					
Fines and forfeitures	\$ 156,748	\$ -	\$ -	\$ -	\$ -
Permits and fees	-	-	-	6,348	-
Hotel taxes	-	-	50,146	-	-
Property taxes	-	-	-	-	66,774
Investment income	-	127	-	569	566
Grants and contributions	-	-	-	-	-
Donations	-	1,012	-	-	-
Commissary sales	-	-	-	-	-
Miscellaneous	-	33,388	-	-	-
Total Revenues	<u>156,748</u>	<u>34,527</u>	<u>50,146</u>	<u>6,917</u>	<u>67,340</u>
EXPENDITURES					
Current:					
General government	-	-	34,866	-	-
Public safety	-	-	-	-	-
Judicial	156,388	-	-	380	-
Health and public welfare	-	-	-	-	-
Library	-	-	-	-	-
Public works	-	-	-	-	-
Parks and recreation	-	99,519	-	-	-
Debt Service:					
Principal	-	-	-	-	55,166
Interest	-	-	-	-	5,384
Capital outlays	-	111,157	-	-	-
Total Expenditures	<u>156,388</u>	<u>210,676</u>	<u>34,866</u>	<u>380</u>	<u>60,550</u>
Net operating income (loss)	<u>360</u>	<u>(176,149)</u>	<u>15,280</u>	<u>6,537</u>	<u>6,790</u>
Other Financing Sources (Uses)					
Capital lease proceeds	-	-	-	-	-
Transfers	-	162,646	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>162,646</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>360</u>	<u>(13,503)</u>	<u>15,280</u>	<u>6,537</u>	<u>6,790</u>
Fund Balances, Beginning of year	<u>(360)</u>	<u>31,674</u>	<u>32,502</u>	<u>34,735</u>	<u>6,296</u>
Fund Balances, End of year	<u>\$ -</u>	<u>\$ 18,171</u>	<u>\$ 47,782</u>	<u>\$ 41,272</u>	<u>\$ 13,086</u>

<u>Commissary</u>	<u>Total</u>
\$ -	\$ 170,029
-	102,275
-	50,146
-	66,774
526	15,158
-	19,013
-	1,236
86,472	86,472
-	36,108
<u>86,998</u>	<u>547,211</u>

-	91,133
53,075	53,075
-	172,803
-	72,564
-	193,034
-	-
-	99,519
-	55,166
-	5,384
2,375	113,532
<u>55,450</u>	<u>856,210</u>

<u>31,548</u>	<u>(308,999)</u>
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-	-
<u>(38,680)</u>	<u>394,627</u>
<u>(38,680)</u>	<u>394,627</u>

(7,132)	85,628
57,046	999,077
<u>\$ 49,914</u>	<u>\$ 1,084,705</u>

FRANKLIN COUNTY, TEXAS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2015

	Balance December 31, 2014	Additions	Deductions	Balance December 31, 2015
ASSETS				
Cash and Cash Equivalents	\$ 226,594	\$ 21,552,204	\$ (21,526,169)	\$ 252,629
Total Assets	<u>226,594</u>	<u>21,552,204</u>	<u>(21,526,169)</u>	<u>252,629</u>
LIABILITIES				
Due to County or Other Governments or Individuals	77,925	21,408,115	(21,369,528)	116,512
Trust funds-pending cases	148,669	144,089	(156,641)	136,117
Total Liabilities	<u>\$ 226,594</u>	<u>\$ 21,552,204</u>	<u>\$ (21,526,169)</u>	<u>\$ 252,629</u>