

ZAPATA COUNTY, TEXAS  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2016

ZAPATA COUNTY, TEXAS  
TABLE OF CONTENTS

	<u>Page</u>
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in Funds Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Net Assets – Proprietary Funds.....	18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.....	19
Statement of Cash Flows – Proprietary Funds.....	20
Statement of Fiduciary Net Position - Agency Funds.....	21
Notes to Basic Financial Statements.....	22
Required Financial Information	
Statement of Revenues, Expenditures, and Changes in Funds Balances - Budget and Actual - General Fund.....	45
Schedule of Changes in the County's Net Pension Liability and Related Ratios.....	52
Combining Fund Statements	
Combining Balance Sheet - Nonmajor Governmental Funds.....	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds.....	56
<b>SINGLE AUDIT SECTION</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	59
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with the State of Texas Single Audit Circular.....	61
Schedule of Expenditures of State Awards.....	63
Schedule of Findings and Questioned Costs.....	64
Schedule of Prior Year Findings and Questioned Costs.....	65

## FINANCIAL SECTION



Aaron Canales, CPA  
Juan José Garza, CPA  
J. Clayton Baum, CPA (Ret.)  
Guadalupe Garcia-Wright, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge  
And Honorable County Commissioners  
County of Zapata, Texas

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

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

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Zapata, Texas' basic financial statements. The combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state awards is presented for purposes of additional analysis as required by the State of Texas Single Audit Circular, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of the County of Zapata, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County of Zapata, Texas' internal control over financial reporting and compliance.

*Canales, Marga & Baum, PLLC*

Laredo, Texas  
June 29, 2017

## **Zapata County**

### **Management's Discussion and Analysis**

This section of Zapata County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2016. Please read it in conjunction with the County's financial statements, which follow this section.

#### **Financial Highlights**

The assets of Zapata County exceeded its liabilities of the most recent fiscal year by \$64,428,926 (net assets) at September 30, 2016. Of this amount, \$12,901,289 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. The County's total net assets increased by \$4,301,296.

The County's total combined Proprietary Fund net assets was \$5,348,812 at September 30, 2016.

As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$16,333,897, an increase of \$2,826,174 in comparison with the prior period. Approximately 41% of this total amount, \$6,696,670, is available for spending at the County's discretion (unassigned fund balance).

#### **Overview of the Financial Statements**

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

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

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

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes).

The government-wide financial statements include only the County itself.

The government-wide financial statements can be found on pages 12-13 of this report.

***Fund Financial Statements:*** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

*Governmental Funds:*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and other non-major funds including capital projects funds.

The County adopts an annual appropriated budget for the general fund. A budgetary comparison statement has been provided for the general fund.

The basic governmental fund financial statements can be found on pages 14 and 16 of this report.

**Proprietary funds.** The County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its Water and Sewer funds, Airport fund and the Sheriff's Commissary fund.

**Fiduciary funds.** The County is agent for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position, found on page 21. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

*Notes to the financial statements:*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-44 of this report.



*Other information:*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 45-51 of this report.

Fund Balance Classification

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

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

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

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by order of the Board of Directors, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the fund were initially committed.

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

Unassigned - This classification includes the residual fund balance for the General Fund.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of the County's financial position. In the case of Zapata County, assets exceeded liabilities by \$64,428,926 at the close of the most recent fiscal year.

A portion of the County's net assets (\$46,689,984 - 72%) reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure and equipment); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	<u>9/30/2016</u>	<u>9/30/2015</u>
Current and Other Assets	\$ 19,189,746	\$ 22,623,656
Capital Assets	<u>80,487,983</u>	<u>81,668,862</u>
Total Assets	<u>99,677,729</u>	<u>104,292,518</u>
Deferred Outflows of Resources	<u>3,964,559</u>	<u>474,188</u>
Long-term Liabilities	35,126,498	38,406,348
Other Liabilities	<u>3,012,661</u>	<u>6,020,731</u>
Total Liabilities	<u>38,139,159</u>	<u>44,427,079</u>
Deferred Inflows of Resources	<u>1,074,203</u>	<u>211,997</u>
Invested in Capital Assets, net of Related Debt	46,689,984	44,553,862
Reserved for Other Purposes	2,834,565	3,039,678
Reserved for Debt Service	2,003,088	(431,526)
Unrestricted	<u>12,901,289</u>	<u>12,965,616</u>
Total Net Assets	<u>\$ 64,428,926</u>	<u>\$ 60,127,630</u>

### **Government-wide Financial Activities**

Government-wide financial activities increased the County's net assets by \$4,301,296.

	<u>9/30/2016</u>	<u>9/30/2015</u>
Revenues:		
Program revenues		
Charges for services	\$ 4,057,523	\$ 4,235,487
Operating grants	902,477	925,555
Capital grants	123,124	359,781
General revenues		
Property taxes	11,771,816	12,009,180
Sales and miscellaneous taxes	1,558,321	742,615
Investment earnings	44,628	47,202
Other financing sources	-	-
Miscellaneous	<u>8,042,218</u>	<u>4,237,267</u>
Total Revenue	<u>\$ 26,500,107</u>	<u>\$ 22,557,087</u>

	<u>9/30/2016</u>	<u>9/30/2015</u>
Expenses:		
General government	5,061,746	5,375,538
Public safety	4,958,480	5,828,277
Justice system	1,328,815	1,456,721
Health and human services	1,735,833	1,889,978
Infrastructure and environmental serv.	2,241,530	2,773,360
Correction and rehabilitation	2,287,023	2,286,455
Community and economic develop.	586,236	678,925
Interest and fiscal charges	771,578	841,435
Business type activities	<u>3,202,035</u>	<u>3,258,132</u>
Total Expenses	<u>22,173,276</u>	<u>24,388,821</u>
Increase/(Decrease) in net assets	4,326,831	(1,831,734)
Beginning net assets	60,127,630	60,284,804
Adjustment to net position	-	1,979,467
Prior period adjustment	<u>(25,535)</u>	<u>(304,907)</u>
Ending net assets	<u>\$ 64,428,926</u>	<u>\$ 60,127,630</u>

Revenues and expenses by source-government-wide financial activities:

	<u>2016</u>	
	<u>Amount</u>	<u>%</u>
Revenues:		
Charges for services	\$ 4,057,523	15.3%
Operating grants	902,477	3.4%
Capital grants	123,124	0.5%
Property taxes	11,771,816	44.4%
Sales and miscellaneous taxes	1,558,321	5.9%
Investment earnings	44,628	0.2%
Other financing sources	-	0.0%
Miscellaneous	<u>8,042,218</u>	<u>30.3%</u>
Total Revenue	<u>\$ 26,500,107</u>	<u>100.0%</u>
Expenses:		
General government	\$ 5,061,746	22.8%
Public safety	4,958,480	22.4%
Justice system	1,328,815	6.0%
Health and human services	1,735,833	7.8%
Infrastructure and environmental serv.	2,241,530	10.1%
Correction and rehabilitation	2,287,023	10.3%
Community and economic develop.	586,236	2.6%
Interest and fiscal charges	771,578	3.5%
Business type activities	<u>3,202,035</u>	<u>14.4%</u>
Total Expenses	<u>\$ 22,173,276</u>	<u>100.0%</u>

## Financial Analysis of the County's Funds

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

### *Governmental funds:*

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$16,333,897, an increase of \$2,826,174 in comparison with the prior period. Approximately, 41% of this total amount, \$6,696,670 constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been restricted or committed as follows:

Restricted:	
General Administration	\$ 243,952
Public Safety	(129,807)
Justice System	105,079
Health and Human Services	47,846
Infrastructure and Environmental Services	1,433,556
Community and Economic Development	29,587
Capital Outlay	-
Debt Service	<u>2,003,088</u>
Total Restricted	<u>3,733,301</u>
Committed:	
Landfill	681,746
Airport	362,496
Veleno Bridge	474,822
Catastrophic Fund	3,346,113
Oil and Gas	679,894
Water Well Drilling	<u>358,855</u>
Total Committed	<u>5,903,926</u>
Total Restricted and Committed Funds	<u>\$9,637,227</u>

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,696,670, while total fund balance reached \$12,600,596. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 47% of total general fund pro-rated expenditures and transfers out, while total fund balance represents 89% of that same amount. The fund balance of the County's general fund increased by \$571,138 during the current fiscal year.

## General Fund Budgetary Highlights

The County adopts an annual appropriated budget for the governmental funds. The County budgeted \$12,976,209 in total revenues and transfers in and \$13,647,301 in total expenditures and transfers out. Actual governmental fund revenues and transfers in were \$14,703,465 for a favorable variance compared to budgeted revenues of \$1,727,256. Actual governmental fund expenditures and transfers out were \$14,132,327 for an unfavorable variance compared to budgeted expenditures of \$485,026.

## Capital Assets and Debt Administration

### Capital Assets:

The County's investment in capital assets for its governmental and business-type activities as of September 30, 2016, amounts to \$80,487,983 (net of accumulated depreciation).

	2016	2015
Land	\$ 2,200,160	\$ 2,200,160
Infrastructure	48,117,270	42,772,253
Buildings and improvements	56,878,679	56,878,679
Construction in progress	954,212	5,210,719
Equipment and furniture	10,849,187	10,803,237
Accumulated depreciation	(38,511,525)	(36,196,186)
Total	<u>\$ 80,487,983</u>	<u>\$ 81,668,862</u>

### Long-term debt:

At the end of the current fiscal year, the County had the following long-term debt:

	Beginning			Ending	Due Within	Due After
	Balance	Additions	Reductions	Balance	One year	One Year
Governmental Activities:						
Unlimited Tax Road Bonds, Series 2006	\$ 9,860,000	\$ -	\$ 715,000	\$ 9,145,000	\$ 745,000	\$ 8,400,000
Tax Notes, Series 2011	2,555,000	-	830,000	1,725,000	850,000	875,000
Limited Tax Refunding Bonds, Series 2013A	4,260,000	-	775,000	3,485,000	815,000	2,670,000
Limited Tax Refunding Bonds, Series 2013B	400,000	-	75,000	325,000	75,000	250,000
Combined Tax & Revenue C/O, Series 2013	1,340,000	-	80,000	1,260,000	85,000	1,175,000
Compensated Absences	425,954	12,513	-	438,467	-	438,467
Land Closure & Postclosure Costs	796,136	11,146	-	807,282	-	807,282
Total	<u>19,637,090</u>	<u>23,659</u>	<u>2,475,000</u>	<u>17,185,749</u>	<u>2,570,000</u>	<u>14,615,749</u>
Business-Type Activities:						
TWDB EDAP, Series 2006	12,351,000	-	494,000	11,857,000	494,000	11,363,000
TWDB CWSRF, Series 2008	5,445,000	-	320,000	5,125,000	320,000	4,805,000
TX Waterworks & Sewer Revenue Bonds, Series 2014	890,000	-	14,000	876,000	14,000	862,000
Compensated Absences	83,258	-	509	82,749	-	82,749
Total	<u>18,769,258</u>	<u>-</u>	<u>828,509</u>	<u>17,940,749</u>	<u>828,000</u>	<u>17,112,749</u>
Grant Total	<u>\$38,406,348</u>	<u>\$ 23,659</u>	<u>\$3,303,509</u>	<u>\$35,126,498</u>	<u>\$3,398,000</u>	<u>\$31,728,498</u>

The County total debt decreased by \$3,279,850 during the current fiscal year.

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

- The taxable value used for the fiscal year ending September 30, 2017 budget preparation is estimated to be down significantly from fiscal year ended September 30, 2016 due to a decrease in oil and gas exploration.
- The tax rate established for the fiscal year ending September 30, 2016 budget is \$.924026, which is a slight increase over the prior year.
- Inflationary trends in the region are comparable to national indices.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with an overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Zapata County Auditor's Office, 200 E. 7<sup>th</sup> Avenue, Suite 157, Zapata, Texas, 78076.

## BASIC FINANCIAL STATEMENTS

ZAPATA COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 11,790,860	\$ 1,503,245	\$ 13,294,105
Cash in Escrow	-	1,104,352	1,104,352
Receivables, net	4,279,681	498,463	4,778,144
Internal Balances	4,230,295	(4,217,150)	13,145
Capital Assets			
Land	1,554,640	645,520	2,200,160
Construction in Progress	-	954,212	954,212
Infrastructure	18,816,900	29,300,370	48,117,270
Buildings and Improvements	55,180,474	1,698,205	56,878,679
Furniture and Equipment	7,856,822	2,992,366	10,849,188
Less:Accumulated Depreciation	(27,760,930)	(10,750,595)	(38,511,525)
<b>TOTAL ASSETS</b>	<b>75,948,741</b>	<b>23,728,988</b>	<b>99,677,729</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	3,964,559	-	3,964,559
<b>Total Deferred outflows related to pensions</b>	<b>3,964,559</b>	<b>-</b>	<b>3,964,559</b>
<b>LIABILITIES</b>			
Accounts Payable	330,383	95,846	426,229
Accrued Expenses	139,498	17,051	156,549
Net Pension Liability	2,103,353	-	2,103,353
Customer Deposits	-	284,204	284,204
Retainage Payable	-	42,326	42,326
Long-Term Liabilities			
Due within one year			
Due Within One Year	2,570,000	828,000	3,398,000
Due in more than one year			
Bonds	13,370,000	17,030,000	30,400,000
Compensated Absences	438,467	82,749	521,216
Land Closure & Postclosure Costs	807,282	-	807,282
<b>TOTAL LIABILITIES</b>	<b>19,758,983</b>	<b>18,380,176</b>	<b>38,139,159</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	1,074,203	-	1,074,203
<b>Total Deferred inflows related to pensions</b>	<b>1,074,203</b>	<b>-</b>	<b>1,074,203</b>
<b>NET POSITION</b>			
Invested in Capital Assets, Net of Related Debt	39,707,905	6,982,079	46,689,984
Restricted:			
Special Revenue	1,730,213	1,104,352	2,834,565
Debt Service	2,003,088	-	2,003,088
Unrestricted	15,638,908	(2,737,619)	12,901,289
<b>Total net position</b>	<b>\$ 59,080,114</b>	<b>\$ 5,348,812</b>	<b>\$ 64,428,926</b>

The accompanying notes are an integral part of this financial statement.



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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
Governmental Activities:							
General government	5,061,746	\$ 119,735	\$ 188,482	\$ -	\$ (4,753,529)	\$ -	\$ (4,753,529)
Judicial	1,328,815	71,947	306,201		(950,667)		(950,667)
Public safety	4,958,480	10,142	309,444		(4,638,894)		(4,638,894)
Infrastructure and environmental services	2,241,530	395,785	-	123,124	(1,722,621)		(1,722,621)
Corrections and rehabilitation	2,287,023				(2,287,023)		(2,287,023)
Health and human services	1,735,833	23,748	98,350		(1,613,735)		(1,613,735)
Community and economic development	586,236	-	-		(586,236)		(586,236)
Debt Service:							
Interest and Fiscal Charges	771,578				(771,578)		(771,578)
Total Governmental Activities	18,971,241	621,357	902,477	123,124	(17,324,283)	-	(18,211,806)
<b>Business-type activities</b>							
Water plant	2,133,153	2,267,722				134,569	134,569
Sewer plant	867,416	871,734				4,318	4,318
Airport	131,242	149,947				18,705	18,705
Sheriff commissary	70,224	146,763				76,539	76,539
Total business-type activities	3,202,035	3,436,166	-	-	-	234,131	234,131
Total primary government	\$ 22,173,276	\$ 4,057,523	\$ 902,477	123,124	(17,324,283)	234,131	(17,977,675)
General Revenues							
Property Taxes, Levies for General Purposes					11,486,883		11,486,883
Sales and Miscellaneous Taxes					1,558,321		1,558,321
Penalties and Interest					284,933		284,933
Fees and Fines					240,243		240,243
Unrestricted Investment Earnings					42,164	2,464	44,628
Miscellaneous					7,801,975		7,801,975
Total General Revenues and Transfers					21,414,519	2,464	21,416,983
Change in Net Assets					4,090,236	236,595	4,326,831
Net Assets - Beginning					55,015,413	5,112,217	60,127,630
Prior Period Adjustment					(25,535)		(25,535)
Net Assets - Ending					\$ 59,080,114	\$ 5,348,812	\$ 64,428,926

The accompanying notes are an integral part of this financial statement.

ZAPATA COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2016

	General Fund	Debt Service	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 7,233,821	2,501,754	2,055,285	\$ 11,790,860
Receivables, net	3,117,253	612,139	550,289	4,279,681
Due from Other Funds	5,369,562		162,339	5,531,901
<b>Total Assets</b>	<b>\$ 15,720,636</b>	<b>\$ 3,113,893</b>	<b>\$ 2,767,913</b>	<b>\$ 21,602,442</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	301,497	-	28,886	\$ 330,383
Accrued Wages Payable	111,452	-	28,046	139,498
Due to Other Funds	-	512,108	789,498	1,301,606
Deferred Revenues	2,707,091	598,697	191,270	3,497,058
<b>Total Liabilities</b>	<b>3,120,040</b>	<b>1,110,805</b>	<b>1,037,700</b>	<b>5,268,545</b>
<b>Fund Balances:</b>				
<b>Restricted:</b>				
General Government			243,952	243,952
Public Safety			(129,807)	(129,807)
Justice System			105,079	105,079
Health & Human Services			47,846	47,846
Infrastructure & Environmental Services			1,433,556	1,433,556
Community and Economic Development			29,587	29,587
Debt Service		2,003,088		2,003,088
Committed	5,903,926			5,903,926
Unassigned:	6,696,670			6,696,670
<b>Total Fund Balances</b>	<b>12,600,596</b>	<b>2,003,088</b>	<b>1,730,213</b>	<b>16,333,897</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 15,720,636</b>	<b>\$ 3,113,893</b>	<b>\$ 2,767,913</b>	<b>\$ 21,602,442</b>

The accompanying notes are an integral part of this financial statement.

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

Total fund balance - governmental funds balance sheet	\$ 16,333,897
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. (Note 2A)	55,647,905
Other assets are not available to pay current period expenditures and, therefore, are deferred in the funds.	3,497,058
Included in the items related to debt is the recognition of the County's proportionate share of the net pension liability required by GASB 68 in the amount of (\$2,103,353), a deferred resources outflows related to TCDRS in the amount of \$3,964,559 and a deferred resources inflows related to TCDRS in the amount of \$(1,074,203)	787,003
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (Note 2A)	<u>(17,185,749)</u>
Net assets of governmental activities	<u><u>\$ 59,080,114</u></u>

The accompanying notes are an integral part of this statement.

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

	General Fund	Debt Service	Nonmajor Funds	Total Governmental Funds
<b>REVENUES:</b>				
Taxes:				
Property Taxes	7,396,084	3,141,981	589,644	\$ 11,127,709
Penalty and Interest on Taxes	212,554	55,649	16,730	284,933
Sales and Miscellaneous	1,372,089	-	186,232	1,558,321
Intergovernmental Revenues and Grants	188,482	-	837,119	1,025,601
Licenses and Permits	1,730	-	395,785	397,515
Charges for Services	176,859	-	46,983	223,842
Fees and Fines	-	-	240,243	240,243
Interest	29,721	7,011	5,432	42,164
Miscellaneous	5,325,298	2,476,551	126	7,801,975
<b>Total Revenues</b>	<b>14,702,817</b>	<b>5,681,192</b>	<b>2,318,294</b>	<b>22,702,303</b>
<b>EXPENDITURES</b>				
Current:				
General government	4,426,166	-	13,503	4,439,669
Judicial	1,000,619	-	335,995	1,336,614
Financial administration	-	-	-	-
Public facilities	-	-	-	-
Legal	-	-	-	-
Public safety	4,062,902	-	396,439	4,459,341
Infrastructure and environmental service	136,712	-	1,305,947	1,442,659
Corrections and rehabilitation	2,293,494	-	-	2,293,494
Health and human services	1,158,132	-	419,033	1,577,165
Community and economic development	380,966	-	207,785	588,751
Capital outlay	357,142	-	134,716	491,858
Debt Service:				-
Principal	-	2,475,000	-	2,475,000
Interest and Fiscal Charges	-	771,578	-	771,578
<b>Total Expenditures</b>	<b>13,816,133</b>	<b>3,246,578</b>	<b>2,813,418</b>	<b>19,876,129</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	886,684	2,434,614	(495,124)	2,826,174
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	648	-	327,786	328,434
Operating Transfers Out	(316,194)	-	(12,240)	(328,434)
<b>Total Other Financing Sources (Uses)</b>	<b>(315,546)</b>	<b>-</b>	<b>315,546</b>	<b>-</b>
Net Change in Fund Balances	571,138	2,434,614	(179,578)	2,826,174
Fund Balance - Beginning of Year	12,029,458	(431,526)	1,935,326	13,533,258
Prior Period Adjustment	-	-	(25,535)	(25,535)
<b>Fund Balance - End of Year</b>	<b>\$ 12,600,596</b>	<b>\$ 2,003,088</b>	<b>\$ 1,730,213</b>	<b>\$ 16,333,897</b>

The accompanying notes are an integral part of this financial statement.

ZAPATA COUNTY, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Net Changes in Fund Balances - total governmental funds	\$ 2,826,174
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (Note 2B)	(1,085,478)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	359,174
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	2,475,000
Pension expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	(460,975)
Compensated Absences in the amount of (\$12,513) and Land Closure & Postclosure Costs in the amount of \$ (11,146) recorded for entity wide financial statements	<u>(23,659)</u>
Change in net assets of governmental activities - statement of activities	<u><u>\$ 4,090,236</u></u>

The accompanying notes are an intergral part of this statement.

ZAPATA COUNTY, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds				Total
	Water Plant	Sewer Plant	Airport	Sheriff Commissary	
<b>ASSETS</b>					
Current Assets:					
Cash and cash equivalents	\$ 398,182	\$ 321,525	\$ 638,606	\$ 144,932	1,503,245
Cash in escrow	-	1,104,352	-	-	1,104,352
Receivables, net	299,138	199,325	-	-	498,463
Total current assets	<u>697,320</u>	<u>1,625,202</u>	<u>638,606</u>	<u>144,932</u>	<u>3,106,060</u>
Non-current assets:					
Capital assets:					
Land	387,312	258,208	-	-	645,520
Construction in progress	-	954,212	-	-	954,212
Infrastructure	18,383,527	10,916,843	-	-	29,300,370
Buildings and improvements	984,837	656,558	56,810	-	1,698,205
Equipment and furniture	1,838,323	1,154,043	-	-	2,992,366
Less accumulated depreciation	(7,289,500)	(3,412,952)	(48,143)	-	(10,750,595)
Total non-current assets	<u>14,304,499</u>	<u>10,526,912</u>	<u>8,667</u>	<u>-</u>	<u>24,840,078</u>
Total assets	<u><u>15,001,819</u></u>	<u><u>12,152,114</u></u>	<u><u>647,273</u></u>	<u><u>144,932</u></u>	<u><u>27,946,138</u></u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts Payable	87,603	-	8,243	-	95,846
Accrued Expenses	11,203	5,848	-	-	17,051
Retainage Payable	-	42,326	-	-	42,326
Customer Deposits	284,204	-	-	-	284,204
Due to Other Funds	310,748	3,263,657	642,745	-	4,217,150
Bonds, notes and loans payable	494,000	334,000	-	-	828,000
Total current liabilities	<u>1,187,758</u>	<u>3,645,831</u>	<u>650,988</u>	<u>-</u>	<u>5,484,577</u>
Non-current liabilities					
Bonds, notes and loans payable	11,363,000	5,667,000	-	-	17,030,000
Compensated Absences	58,532	24,217	-	-	82,749
Total non-current liabilities	<u>11,421,532</u>	<u>5,691,217</u>	<u>-</u>	<u>-</u>	<u>17,112,749</u>
Total liabilities	<u><u>12,609,290</u></u>	<u><u>9,337,048</u></u>	<u><u>650,988</u></u>	<u><u>-</u></u>	<u><u>22,597,326</u></u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	2,447,499	4,525,912	8,668	-	6,982,079
Restricted	-	1,104,352	-	-	1,104,352
Unrestricted	(54,970)	(2,815,198)	(12,383)	144,932	(2,737,619)
Total net assets	<u><u>\$ 2,392,529</u></u>	<u><u>\$ 2,815,066</u></u>	<u><u>\$ (3,715)</u></u>	<u><u>\$ 144,932</u></u>	<u><u>\$ 5,348,812</u></u>

The accompanying notes are an integral part of these financial statements

ZAPATA COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2016

	Business-type Activities - Enterprise Funds				Total
	Water Plant	Sewer Plant	Airport	Sheriff Commissary	
<b>REVENUES</b>					
Charges for services:					
Water	\$ 2,267,722	\$ -	\$ -	\$ -	\$ 2,267,722
Sewer	-	871,734	-	-	871,734
Sales of products	-		149,947	146,763	296,710
Total operating revenues	<u>2,267,722</u>	<u>871,734</u>	<u>149,947</u>	<u>146,763</u>	<u>3,436,166</u>
<b>OPERATING EXPENSES</b>					
Personal services	851,335	405,253	-	-	1,256,588
Contractual services	-	-	6,288	-	6,288
Utilities	118,294	60,814	-	-	179,108
Repairs and maintenance	168,335	118,271	58,742	-	345,348
Other supplies and expenses	454,465	75,017	61,114	70,224	660,820
Depreciation	540,724	192,180	5,098	-	738,002
Total Operating expenses	<u>2,133,153</u>	<u>851,535</u>	<u>131,242</u>	<u>70,224</u>	<u>3,186,154</u>
Operating income (loss)	<u>134,569</u>	<u>20,199</u>	<u>18,705</u>	<u>76,539</u>	<u>250,012</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Interest and investment revenue	164	1,396	904	-	2,464
Interest and Fiscal Charges	-	(15,881)	-	-	(15,881)
Total non-operating revenue (expenses)	<u>164</u>	<u>(14,485)</u>	<u>904</u>	<u>-</u>	<u>(13,417)</u>
Income (loss) before contributions and transfers	134,733	5,714	19,609	76,539	236,595
<b>TRANSFERS IN</b>	-	-	-	-	-
<b>TRANSFERS OUT</b>	-	-	-	-	-
Change in net assets	134,733	5,714	19,609	76,539	236,595
Total net assets - beginning	2,257,796	2,809,352	(23,324)	68,393	5,112,217
Prior period adjustment					-
Total net assets - ending	<u>\$ 2,392,529</u>	<u>\$ 2,815,066</u>	<u>\$ (3,715)</u>	<u>\$ 144,932</u>	<u>\$ 5,348,812</u>

The accompanying notes are an integral part of these financial statements.

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

	Business-type Activities - Enterprise Funds				Total
	Water Plant	Sewer Plant	Airport	Sheriff Commissary	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 2,306,609	\$ 893,109	\$ 149,947	\$ 146,763	\$ 3,496,428
Payments to employees	(782,517)	(412,825)	-	-	(1,195,342)
Payments to vendors, suppliers, and insurance administrators	(870,767)	(130,890)	291,809	(70,224)	(780,072)
Net cash provided by operating activities	<u>653,325</u>	<u>349,394</u>	<u>441,756</u>	<u>76,539</u>	<u>1,521,014</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES</b>					
Transfers in (out)	-	-	-	-	-
Net cash provided by non capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Payments on capital debt	(494,000)	(349,881)	-	-	(843,881)
Net cash provided by capital financing activities	<u>(494,000)</u>	<u>(349,881)</u>	<u>-</u>	<u>-</u>	<u>(843,881)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Investment earnings	164	1,396	904	-	2,464
Acquisition of capital assets	(45,950)	(596,651)	-	-	(642,601)
Net cash provided by investing activities	<u>(45,786)</u>	<u>(595,255)</u>	<u>904</u>	<u>-</u>	<u>(640,137)</u>
Net increase (decrease) in cash and cash equivalents	113,539	(595,742)	442,660	76,539	36,996
Cash and pooled investments, beginning of year	284,643	2,021,619	195,946	68,393	2,570,601
Cash and pooled investments, end of year	<u>\$ 398,182</u>	<u>\$ 1,425,877</u>	<u>\$ 638,606</u>	<u>\$ 144,932</u>	<u>\$ 2,607,597</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating Income (loss)	134,569	20,199	18,705	76,539	250,012
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	540,724	192,180	5,098	-	738,002
Change in assets and liabilities:					
Receivables, net	32,104	21,375	-	-	53,479
Accounts and other payables	(54,072)	115,640	417,953	-	479,521
Net cash provided by operating activities	<u>\$ 653,325</u>	<u>\$ 349,394</u>	<u>\$ 441,756</u>	<u>\$ 76,539</u>	<u>\$ 1,521,014</u>

The accompanying notes are an integral part of these financial statements.



ZAPATA COUNTY, TEXAS  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2016

	Agency Funds
<b>ASSETS</b>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,744,265
TOTAL ASSETS	2,744,265
<b>LIABILITIES AND NET POSITION</b>	
<b>LIABILITIES</b>	
Held in trust	1,844,993
Due to other governments	548,050
Due to other funds	13,145
Refunds payable and others	338,077
TOTAL LIABILITITES	2,744,265
<b>NET POSITION</b>	-
	\$ 2,744,265

The accompanying notes are an integral part of these financial statements.

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**Note 1 - Summary of Significant Accounting Policies**

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and Zapata County (the County) operates under a county judge/commissioners court type of government as provided by state statute. The accounting methods and procedures adopted by the County reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the Financial Standards Board (FASB). The following represent the most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

**A. Reporting Entity**

Zapata County, Texas is governed by an elected five member commissioner's court. The County has no oversight responsibility for any other government entity since no other entities are considered to be controlled by or dependent on the County. Control or dependence is determined on the basis of budget adoption, taxing authority, and appointment of the respective governing board.

The County provides the following services to its citizens: public safety, judicial and legal services, public transportation, health and human services, culture and recreation facilities, conservation, public facilities, election functions, and general and financial administrative services.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate fund financial statements are provided for government funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The General fund is reported as a major fund and is reported in a separate column in the fund financial statements.

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

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

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if collected within 120 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Intergovernmental revenues, rents, commissions, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County, which includes delinquent property taxes, licenses, fees and fines. For grants, like the government-wide financial statements, the revenue is recognized when all the eligibility requirements have been met.

The County reports the following as major governmental funds:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. All other governmental funds are combined and reported as nonmajor.

The **Debt Service Fund** is the County's fund used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on short and long term debt.

Additionally, the County reports the following fund types:

Special Revenue Fund – The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Project Fund – The Capital Project Funds are used to account for and report financial resources that are restricted for the acquisition of capital assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The **Proprietary Funds** are used to account for the County's ongoing operations that are financed and operated in a manner similar to private business enterprises – where the determination of net income, financial position, and cash flows are necessary or useful for sound financial administration.

Enterprise Fund – The enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by pledge of the net revenues, (b) has third party requirements that the costs, be of providing services including capital costs, be recovered with fees and charges or (c) has pricing policy designed for the fees and charges to recover similar costs. The County may additionally elect to treat other County business similarly.

The **Fiduciary Funds** are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus is upon net position and changes in fund balances and employs accounting principles similar to proprietary funds.

Trust Fund – Trust funds account for the assets that are held for the benefit of others or as an agent for individuals, private organizations, other governmental units, and/or other funds. Trust funds are distinguished from agency funds generally by the existence of a trust agreement that affects the degree

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

of management and the length of time that the resources are held. The County currently does not have any trust funds that meet this definition.

Agency Fund – Agency funds account for the assets that are held for the benefit of others or as an agent for individuals, private organizations, other governmental units, and/or other funds solely in a custodial capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**D. Assets, Liabilities and Net Position or Equity**

**Deposits and Investments**

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. State statutes and the County's official Investment Policy authorize the County to invest in obligations of the U.S. and its agencies, certificates of deposit, local government pools, repurchase agreements, money market mutual funds and direct obligations of the State of Texas or its agencies.

Investments for the County, when applicable, are reported at fair market value. All investment income is recognized as revenue in the appropriate fund's statement of activity and or statement of revenues, expenditures and changes in fund balance.

The County considers all highly liquid investments with original maturities of less than 90 days to be cash equivalents. Cash and cash equivalents at year-end include demand deposits and repurchase agreements. Statutes give the County the authority to invest the funds in obligations of the United States, direct obligations of the State of Texas, other obligations guaranteed or insured by the State of Texas or the United States, obligations of states, agencies, counties, or cities of any state that have been rated not less than one or its equivalent by a nationally recognized investment firm, certificates of deposit guaranteed, insured or secured by approved obligations, prime domestic bankers' acceptances, commercial paper, fully collateralized repurchase agreements and an SEC-registered, no-load money market mutual fund whose assets consist exclusively of approved obligations.

State statutes and the adopted Investment Policy govern the County's cash and investment policies. The County's policies governing bank deposits require depositories to be FDIC-insured institutions and depositories must fully collateralize all deposits in excess of FDIC insurance limits. The depository bank deposits for safekeeping and trust with the County's agent bank, approved pledged securities in an amount sufficient to protect the County funds on a day-to-day basis. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

The cash in escrow account presented in the statement of net position – proprietary funds represents funds held in escrow for the Texas Water Development Board project. The County does not have check writing authority on this account. The administrator from the Texas Water Development Board can authorize to disburse fund from the escrow account to the County for eligible expenses.

**Receivables and Payables**

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade receivables are directly written-off when circumstances indicate a receivable is no longer collectible usually within one year a receivable was incurred. Trade receivable allowance is determined based on the number of days a receivable is outstanding. The property tax receivable allowance is equal to 10 percent of delinquent outstanding property taxes at fiscal year-end.

ZAPATA COUNTY, TEXAS  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2016

Property taxes are levied prior to September 30 based on taxable value as of January 1 and become due October 1 and past due after January 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. On the governmental fund financial statements outstanding property taxes receivable is reported as deferred revenue.

Accounts receivables 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 unearned revenue (a liability) at the time the contracts are approved and signed. Grant revenues are recognized when eligibility requirements established by the grantor have been met at which time unearned revenue (the liability account) is reduced.

Lending or borrowing between funds is reflected as “due to or due from” (current position) or “advances to/from other funds” (non-current). Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund activity reflected in “due to or due from” is eliminated on the government-wide statements.

**Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories comprise of expendable supplies and gasoline held for consumption. All inventory items are expensed when used. Reported inventories are offset by a reservation of fund balance, which indicates that they do not constitute “available spendable resources” even though they are a component of net current assets. Inventory policy on government-wide statements is consistent with fund statements.

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. In the fund financial statements, advances and prepayments are offset by a reservation of fund balance which indicates they do not represent “available spendable resources”.

**Capital Assets**

Capital assets, which include land, building and improvements and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the following useful lives:

<b>Assets</b>	<b>Years</b>
Buildings	40
Improvements	20
Equipment	10-15
Automotive	6
Furniture	12
Heavy equipment	15
Computer equipment	7

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

GASB Statement No. 34 requires the County to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the County

**Compensatory Time**

Overtime compensation shall be paid in the form of compensatory time off in accordance with the provisions of the Fair Labor Standards Act (FLSA). Covered employees shall receive time off, with pay, at a rate of one and one-half times the amount of overtime worked. The maximum amount of unused compensatory time an employee shall be allowed to accrue is 240 hours. Law enforcement, emergency medical services (EMS), and fire personnel may accrue a maximum of 480 hours. Unused compensatory time is paid to an employee who terminates employment for any reason prior to using all earned compensatory time.

**Compensated Absences**

The maximum unpaid annual leave that can be accrued is 160 hours. If an employee has worked at least 12 months in a position which accrues vacation at the time the employee resigns, is dismissed, terminated employment due to a reduction in force, elimination in position, retires, or separates from employment for any reason, the employee shall receive pay for all unused vacation up to the maximum allowed under this policy.

**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 or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the related debt.

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

**Fund Balance Designations**

Certain fund balances or portions thereof have been reserved to indicate amounts that are not appropriated for expenditures or are legally segregated for a specific future purpose. Designation of a portion of the fund balance is established to indicate tentative plans for financial resource utilization in a future period.

**Fund Balance Classification**

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

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

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

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

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by order of the Commissioners Court, the County's highest level of decision making authority. These amounts cannot be used for any other purpose unless the Commissioners Court removes or changes the specified use by taking the same type of action that was employed when the fund were initially committed.

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

Unassigned - This classification includes the residual fund balance for the General Fund.

**Note 2 – Reconciliation of Government-Wide and Fund Financial Statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**

The Reconciliation of the Governmental funds Balance Sheet to the Statement of Net Position provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are, therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the end of the year were as follows:

	Capital Assets - Net (beg)	Additions	Depreciation	Capital Assets - Net (end)
Capital assets at end of year				
Land	\$ 1,554,640	\$ -	\$ -	\$ 1,554,640
Furniture and Equipment	1,084,698	-	219,660	865,039
Buildings and Improvements	43,295,397	-	1,114,242	42,181,155
Infrastructure	10,798,648	491,858	243,434	11,047,073
				<u>\$ 55,647,906</u>

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

Long-term liabilities	Total
Unlimited Tax Road Bonds, Series 2006	\$ 9,145,000
Tax Notes, Series 2011	1,725,000
Limited Tax Refunding Bonds, Series 2013A	3,485,000
Limited Tax Refunding Bonds, Series 2013B	325,000
Combined Tax & Revenue C/O, Series 2013	1,260,000
Compensated Absences	438,467
Land Closure & Postclosure Costs	807,282
	\$17,185,749

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

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

Current year capital outlay	
Furniture and Equipment	\$ -
Buildings and Improvements	-
Infrastructure	491,858
Total capital outlay	491,858
Depreciation expense	(1,577,336)
	\$ (1,085,478)

**Note 3 – Stewardship, compliance and accountability**

**Budgetary Information**

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The County Judge is the budget officer and has the responsibility of preparing the County's budgeted expenditures.
2. All County departments and organizations submit their budget requests to the County Judge for the fiscal year commencing the following October 1, by July 1.
3. During July, Commissioners Court conducts informal budget workshops with each department head to discuss their budget requests.
4. On or about July 31, the County Judge prepares a proposed budget to cover all proposed expenditures of the County for the current year. Copies of the proposed budget are filed with the County Clerk. The proposed budget is available for inspection by taxpayers.



ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

5. After the filing of the proposed budget, on a date after August 15th, but prior to September 30 of the current year, Commissioners Court conducts a public hearing on the County's proposed budget. Any taxpayer of the County of Zapata had the right to present and participate in the hearing. At the conclusion of the hearing, the proposed budget, as prepared by the County Judge, is acted upon by the Commissioners Court. The Court had the authority to make such changes in the budget, as in its judgment the facts and the law warrant and the interest of the taxpayers demand, provided the amounts budgeted for current expenditures from the various funds for the County do not exceed the balances in these funds as of October 1 plus the anticipated revenue for the current year for which the budget is made, as estimated by the County Judge.
6. Under no circumstances can Commissioners Court authorize expenditures that will exceed appropriations. Commissioners Court must authorize budget amendments transferring funds among different departments within the same fund.

Anytime any revisions are necessary that alter the total appropriations of any fund, Commissioners Court must enter an order setting forth how the budget is to be amended, declaring an emergency, finding that grave public necessity exists to meet unusual and unforeseen conditions which could not, by reasonably diligent thought and attention, have been included in the original budget.

Budgets adopted on an annual basis are consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general, non-grant special revenue, and debt service funds. All annual appropriations lapse at fiscal year end. Budgetary integration is not employed for capital projects funds, because they include projects which extend over a period of several years. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances accounting – under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation – is utilized in the governmental funds to an extent. All outstanding purchase orders automatically carry over to encumbrance the next budget year unless Commissioner Court individually approves them as an encumbrance to the prior year. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. As of September 30, 2016, no encumbrances were approved by Commissioners Court to carry forward as an encumbrance from the 2016-17 budget.

**Note 4 – Detailed Notes on all Funds**

**A. Deposits and Investments**

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank 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 bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At September 30, 2016, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments and cash in escrow) was \$16,762,012. The County's cash deposits at September 30, 2016 and during the year ended September 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the Federal Reserve Bank of Dallas in the County's name under a joint safekeeping agreement with Zapata National Bank of Texas.

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**County Policies and Legal and Contractual Provisions Governing Investments**

**Compliance with the Public Funds Investment Act**

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: 1) safety of principal and liquidity, 2) portfolio diversification, 3) allowable investments, 4) acceptable risk levels, 5) expected rates of return, 6) maximum allowable stated maturity of portfolio investments, 7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, 8) investment staff quality and capabilities, and 9) bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in 1) obligation of the U.S. Treasury, certain U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) money market savings accounts, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) common trust funds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Zapata County, Texas is in substantial compliance with the requirements of the Act and with local policies.

Cash deposits held at financial institutions can be categorized into the following three categories of credit risk:

Category 1 - Deposits which are insured or collateralized with securities held by the entity or by its agents in the entity's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 – Deposits which are not collateralized.

Based on three levels of risk, all of the County's cash deposits are classified as Category 1.

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposit. The County's deposits, including certificates of deposits, were fully insured or collateralized as required by the state statutes at September 30, 2016. At year-end, the carrying amount of the County's deposits was \$16,762,012. Of the total bank balance, \$250,000 was covered by Federal Depository Insurance, the remainder was covered by collateral with a value of \$22,280,736. The collateral is held by the Federal Reserve Bank of Dallas in the County's name under a joint safekeeping agreement with Zapata National Bank of Zapata, Texas.

State statutes authorize the County to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; and (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

The County did not have any investments during the year or at September 30, 2016.

Additional policies and contractual provisions governing deposits and investments for the County are specified below:

County Policies and Legal and Contractual Provisions Governing Deposits

**Credit Risk.** In accordance with state law and County's investment policy, investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, countries, etc. must be rated at least A. The County's investments in investment pools were rated AAA. To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the County limits investments in investment pools to the top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of September 30, 2016, the County had no investments.

**Concentration of Credit Risk.** The County does not place a limit on the amount the County may invest in any one issuer. The County does not have a concentration of credit risk.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a custodial credit risk.

**Interest Rate Risk.** To limit the risk that changes in interest rates will adversely affect the fair value of investments, the County requires at least half of the investment portfolio to have maturities of less than one year on a weighted average maturity basis. The County does not have an interest rate risk.

B. Interfund Activity

Interfund balances at September 30, 2016 consisted of the following individual fund balances:

Due to General Fund	\$ 5,369,562	
Due to Special Revenues	162,339	
Due to Capital Projects	-	
Due to Debt Services	-	
	<u>\$ 5,531,901</u>	Total Governmental Activities
Due from General Fund		
Due from Special Revenues	653,203	
Due to Debt Services	512,108	
Due from Capital Projects	136,295	
	<u>1,301,606</u>	Total Governmental Activities
Due from Proprietary Funds	4,217,150	
	<u>\$ 5,518,756</u>	Total Business-type activities
Internal Balances	<u>\$ 13,145</u>	

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

Interfund activity in the statement of net position is netted and presented as internal balances.

C. Receivables

Receivables at September 30, 2016 were as follows:

	Property Taxes	Other Receivables	Total Receivables
General Fund	\$ 3,007,879	\$ 410,162	\$ 3,418,041
Debt Service	665,218	13,442	678,661
Nonmajor Governmental Funds	212,522	359,019	571,541
Water Plant	-	299,138	299,138
Sewer Plant	-	199,325	199,325
Total Receivables	\$ 3,885,619	\$ 1,281,087	\$ 5,166,706
Allowance for Uncollectible			(388,562)
Total Receivables, net			\$ 4,778,144

D. Capital Asset Activity

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

	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets no being depreciated				
Land	\$ 1,554,640	\$ -	\$ -	\$ 1,554,640
Construction in progress	-	-	-	-
Total capital assets not being depreciated	1,554,640	-	-	1,554,640
Capital assets being depreciated				
Furniture and Equipment	7,856,822		-	7,856,822
Buildings and Improvements	55,180,474			55,180,474
Infrastructure	18,325,042	491,858	-	18,816,900
Total capital assets being depreciated	81,362,337	491,858	-	81,854,195
Less: Accumulated Depreciation				
Depreciable Assets	26,183,594	1,577,336	-	27,760,930
Total Accumulated Depreciation	26,183,594	1,577,336	-	27,760,930
Total Capital Assets Depreciated, net	55,178,743	(1,085,478)	-	54,093,265
Governmental Activities Capital Assets, net	\$ 56,733,383	\$ (1,085,478)	\$ -	\$ 55,647,905

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

Depreciation expense was charged to governmental functions as follows:

	2016
General Government	157,733
Public safety	473,202
Infrastructure and environmental services	788,668
Health and human services	157,733
Total Depreciation Expense	\$ 1,577,336

<b>Business-type Activities</b>	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets no being depreciated				
Land	\$ 645,520			\$ 645,520
Construction in Progress	5,210,719	596,651	(4,853,159)	954,211
Total capital assets not being depreciated	5,856,239	596,651	(4,853,159)	1,599,731
Capital assets being depreciated				
Furniture and Equipment	2,946,416	45,950		2,992,366
Buildings and Improvements	1,698,205			1,698,205
Infrastructure	24,447,211	4,853,159		29,300,370
Total capital assets being depreciated	29,091,832	4,899,109	-	33,990,941
Less: Accumulated Depreciation				
Depreciable Assets	10,012,593	738,001		10,750,594
Total Accumulated Depreciation	10,012,593	738,001	-	10,750,594
Total Capital Assets Depreciated, net	19,079,239	4,161,108	-	23,240,347
Governmental Activities Capital Assets, net	\$ 24,935,479	\$ 4,757,759	\$ (4,853,159)	\$ 24,840,079

Depreciation expense was charged to business-type activities functions as follows:

	2016
Water Plant	540,724
Sewer Plant	192,180
Airport	5,097
Sheriff Commissary	-
Total Depreciation Expense	\$ 738,001

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

E. Long-term debt

Governmental Activities:

The government issues general obligation and certificates of obligations to provide funds for the acquisition and construction of major capital facilities. Certificate of Obligation bonds have been issued for governmental activities.

Unlimited Tax Road Bonds, Series 2006: The bond was issued in the amount of \$15,000,000 at an interest rate ranging from 4.00% to 5.125% per annum with principal amounts payable February 15 and interest payable semi-annually on February 15 and August 15.

Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2017	\$ 745,000	\$ 396,674
2018	775,000	364,180
2019	810,000	329,698
2020	850,000	293,178
2021	885,000	255,008
2022-2026	5,080,000	623,419
Totals	<u>\$ 9,145,000</u>	<u>\$ 2,262,155</u>

Tax Notes, Series 2011: The bond was issued in the amount of \$2,555,000 at an interest rate of 2.69% per annum with principal amounts due beginning on September 30, 2016 and annually thereafter. Interest is payable annually on September 30.

Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2017	\$ 850,000	\$ 46,403
2018	875,000	23,538
Totals	<u>\$ 1,725,000</u>	<u>\$ 69,940</u>

Limited Tax Refunding Bonds, Series 2013A: The bond was issued in the amount of \$5,740,000 at an interest rate of 4.75% per annum with principal amounts payable August 15 and interest payable semi-annually on February 15 and August 15.

Annual debt service requirements to maturity for the loan is as follows:

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

Year Ending September 30,	Principal	Interest
2017	\$ 815,000	\$ 165,538
2018	850,000	126,825
2019	890,000	86,450
2020	930,000	44,175
Totals	<u>\$ 3,485,000</u>	<u>\$ 422,988</u>

Limited Tax Refunding Bonds, Series 2013B: The bond was issued in the amount of \$540,000 at an interest rate of 4.75% per annum with principal amounts payable August 15 and interest payable semi-annually on February 15 and August 15.

Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2017	\$ 75,000	\$ 15,438
2018	80,000	11,875
2019	85,000	8,075
2020	85,000	4,038
Totals	<u>\$ 325,000</u>	<u>\$ 39,425</u>

Combined Tax & Revenue Certificate of Obligation Bonds, Series 2013: The bond was issued in the amount of \$1,500,000 at an interest rate of 3.75% per annum with principal amounts payable February 15 and interest payable semi-annually on February 15 and August 15.

Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2017	\$ 85,000	\$ 45,656
2018	90,000	42,375
2019	90,000	39,000
2020	95,000	35,531
2021	100,000	31,875
2022-2026	550,000	100,313
2027-2028	250,000	9,375
Totals	<u>\$ 1,260,000</u>	<u>\$ 304,125</u>

All bonds constitute direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County.

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

All bonds may be prepaid or redeemed prior to their respective scheduled due dates as per provisions in the bond agreements.

There were no authorized and unissued general obligation bonds at September 30, 2015. The County is in compliance with all bond covenants on outstanding general obligation bonded debt.

Business-type Activities:

Texas Water Development Board, EDAP Loan Series, 2006: The bond was issued in the amount of \$14,826,000 at an interest rate of 0% per annum with principal amounts due on February 15.

Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2017	\$ 494,000	\$ -
2018	494,000	-
2019	494,000	-
2020	494,000	-
2021	494,000	-
2022-2026	2,470,000	-
2027-2031	2,470,000	-
2032-2036	2,470,000	-
2037-2040	1,977,000	-
Totals	<u>\$ 11,857,000</u>	<u>\$ -</u>

Texas Water Development Board, CWSRF Loan Series, 2008: The bond was issued in the amount of \$6,415,000 at an interest rate of 0% per annum with principal amounts due on February 15.

Annual debt service requirements to maturity for the loan is as follows:

Year Ending September 30,	Principal	Interest
2017	\$ 320,000	\$ -
2018	320,000	-
2019	320,000	-
2020	320,000	-
2021	320,000	-
2022-2026	1,600,000	-
2027-2031	1,600,000	-
2032	325,000	-
Totals	<u>\$ 5,125,000</u>	<u>\$ -</u>

USDA Waterworks and Sewer Revenue Bonds Loan, Series, 2014: The bond was issued in the amount of \$904,000 at an interest rate of 2.375% per annum with principal amounts due on August 15.

Annual debt service requirements to maturity for the loan is as follows:



ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

Year Ending September 30,	Principal	Interest
2017	\$ 14,000	\$ 20,805
2018	15,000	20,473
2019	15,000	20,116
2020	15,000	19,760
2021	16,000	19,404
2022-2026	85,000	91,176
2027-2031	96,000	80,584
2032-2036	108,000	68,614
2037-2041	121,000	55,171
2042-2046	137,000	40,090
2047-2051	153,000	23,061
2052-2054	101,000	4,821
<b>Totals</b>	<b>\$ 876,000</b>	<b>\$ 464,075</b>

All loans constitute direct obligations of the County, payable from the revenues derived from the Water and Sewer collections, within the limits prescribed by law, on all taxable property located within the County.

All loans may be prepaid or redeemed prior to their respective scheduled due dates as per provisions in the bond agreements.

F. Changes in Long-Term Liabilities

Long-term activity for the year ended September 30, 2016 was as follows:

Governmental Activities:

	Beginning			Ending Balance	Due Within One year	Due After One Year
	Balance	Additions	Reductions			
Unlimited Tax Road Bonds, Series 2006	\$ 9,860,000	\$ -	\$ 715,000	\$ 9,145,000	\$ 745,000	\$ 8,400,000
Tax Notes, Series 2011	2,555,000		830,000	1,725,000	850,000	875,000
Limited Tax Refunding Bonds, Series 2013A	4,260,000		775,000	3,485,000	815,000	2,670,000
Limited Tax Refunding Bonds, Series 2013B	400,000		75,000	325,000	75,000	250,000
Combined Tax & Revenue C/O, Series 2013	1,340,000		80,000	1,260,000	85,000	1,175,000
Compensated Absences	425,954	12,513		438,467	-	438,467
Land Closure & Postclosure Costs	796,136	11,146		807,282	-	807,282
<b>Total</b>	<b>19,637,090</b>	<b>23,659</b>	<b>2,475,000</b>	<b>17,185,749</b>	<b>2,570,000</b>	<b>14,615,749</b>

Business-Type Activities:

	Beginning			Ending Balance	Due Within One year	Due After One Year
	Balance	Additions	Reductions			
TX Water Dev. Board EDAP Series, 2006	\$12,351,000		\$ 494,000	\$11,857,000	\$ 494,000	\$11,363,000
TX Water Dev. Board CWSRF Series, 2008	5,445,000		320,000	5,125,000	320,000	4,805,000
TX Waterworks and Sewer Revenue Bonds, Series 2014	890,000		14,000	876,000	14,000	862,000
Compensated Absences	83,258		509	82,749	-	82,749
<b>Total</b>	<b>18,769,258</b>	<b>-</b>	<b>828,509</b>	<b>17,940,749</b>	<b>828,000</b>	<b>17,112,749</b>

<b>Grand Total</b>	<b>\$38,406,348</b>	<b>\$ 23,659</b>	<b>\$3,303,509</b>	<b>\$35,126,498</b>	<b>\$3,398,000</b>	<b>\$31,728,498</b>
--------------------	---------------------	------------------	--------------------	---------------------	--------------------	---------------------

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

G. Defined Benefit Pension Plan

Texas County and District Retirement System

Plan Description & Terms

Zapata County participates in the Texas County and District Retirement System (TCDRS), which is a statewide, agent multiple employer, public employee retirement system.

- 1) All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
- 2) The plan provides retirement, disability and survivor benefits.
- 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited in his or her TCDRS account. By law, employees accounts earn 7% interest on the beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 225%) and is then converted to an annuity.
- 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
- 5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.
- 6) Membership information is shown in chart below.

Members	Dec. 31, 2014	Dec. 31, 2015
Number of inactive employees entitled to but not yet receiving benefits:	133	146
Number of active employees:	302	277
Average monthly salary	\$ 2,430	\$ 2,416
Average age	42.95	42.97
Average length of service	9.72	10.00

Inactive Employees (or their Beneficiaries) Receiving Benefits	Dec. 31, 2014	Dec. 31, 2015
Number of benefit recipients:	118	125
Average monthly benefit:	\$ 977	\$ 1,027

The Board of Trustees of TCDRS is responsible for the administration of the statewide, agent multiple-employer, public employee retirement system. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034 and can also be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

Funding Policy

The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The plan is funded by monthly contributions from both employee

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

members and the employer based on the covered payroll of employee members. The Zapata County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2015 is 9.2%

Schedule of Employer Contribution

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	533,358	605,790	(72,432)	8,230,839	7.4%
2007	674,541	674,541	-	9,140,115	7.4%
2008	700,973	758,531	(57,558)	10,278,200	7.4%
2009	731,958	779,488	(47,530)	10,562,164	7.4%
2010	868,508	868,508	-	10,565,794	8.2%
2011	855,030	855,213	(183)	10,252,155	8.3%
2012	899,883	899,967	(84)	10,284,382	8.8%
2013	853,881	853,998	(117)	9,291,417	9.2%
2014	887,889	887,889	-	9,125,238	9.7%
2015	792,295	792,295	-	8,583,873	9.2%

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

Actuarial Methods and Assumptions are as follows:

Actuarial Valuation Date	12/31/15
Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-Line amortization over Expected Working Life
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/2015 valuation)
Asset valuation method	Smoothing period - 5 years Recognition method - Non-asymptotic Corridor - None
Inflation	3.0%
Projected Salary Increases	Varies by age and service. 0.4% to 5.25%
Investment return	8.10%
Cost of living adjustments	0.0%
Retirement Age	Later of: 60 years or earlier retirement eligibility
Turnover	New employees are assumed to be replaced by terminated employees
Mortality	Use RP-2000 mortality tables

**Net Pension Liability**

Under GASB 68, the County is required to recognize specific pension amounts, which include Net Pension Liability (NPL), deferred outflows and inflows of resources, and pension expense. The Total Pension Liability (TPL) (present value of actuarially determined pension benefits) less the value of the assets available in the plan to pay the pension benefits (Fiduciary Net Position or FNP) results in the NPL; this NPL will appear on the County's Statement of Net Position. The County's NPL was measured as of December 31, 2015 and the TPL used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Valuation and Measurement Date, December 31, 2015

Total Pension Liability	\$ 44,335,924
Plan Fiduciary Net Position	<u>42,232,572</u>
Net Pension Liability / (Asset)	\$ 2,103,353

A schedule of Net Pension Liability, in addition to the information above, includes multi-year trend information (beginning with 2014) and is presented in the Required Supplementary Information section.

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**Schedule of Changes in Net Pension Liability**

Changes in the County's Net Pension Liability and Related Ratios as of 12/31/15 are presented below:

Service Cost	\$ 1,351,831
Interest on the total pension liability)	3,418,454
Changes of benefit terms	(227,680)
Difference between expected and actual experience	-
Change of assumptions	340,008
Effect of economic/demographic gains or losses	(1,130,757)
Benefit payments, including refunds of employee contributions	<u>(1,768,063)</u>
Net Change in Total Pension Liability	1,983,793
Total Pension Liability-Beginning	<u>42,352,131</u>
Total Pension Liability- Ending (a)	<u><u>\$44,335,924</u></u>

**Plan Fiduciary Net Position**

Contributions- Employer	\$ 792,295
Contributions- Member	608,512
Net Investment Income	(648,125)
Benefit payments, including refunds of employee contributions	(1,768,063)
Administrative expense	(30,800)
Other	<u>(59,165)</u>
Net Change in Plan Fiduciary Net Position	(1,105,347)
Plan Fiduciary Net Position- Beginning	<u>43,337,918</u>
Plan Fiduciary Net Position- Ending (b)	<u>\$42,232,572</u>
Net Pension Liability- Ending (a) - (b)	<u><u>\$ 2,103,353</u></u>

Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.26%
--	--------

Covered Employee Payroll	\$ 8,583,873
Net Pension Liability as a Percentage of Covered Employee Payroll	24.50%

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

**Pension Expense**

Below is the Schedule of Pension Expense as of 12/31/15:

Total Service Cost	\$1,351,831
Interest on the Total Pension Liability	3,418,454
Effect of Plan Changes	(227,680)
Current Period Benefit Changes	-
Employee Contributions (Reduction of Expense)	-
Projected Earnings on Plan Investments (Reduction of Expense)	-
Administrative Expense	30,800
Member Contributions	(608,512)
Expected Investment return net of investment expenses	(3,523,014)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(268,551)
Recognition of assumption changes or inputs	68,002
Recognition of investment gains and losses	952,775
Other	59,165
Total Pension Expense	<u>\$1,253,270</u>

**Schedule of Deferred Outflow and Inflows of Resources**

	Original Amount	Date Established	Original Recognition Period	Amount		
				Recognized in 12/31/2015 Expense	Balance of Deferred Inflows 12/31/2015	Balance of Deferred Outflows 12/31/2015
Investment (gains) or losses						
	4,171,139	12/31/2015	5.0	834,228	-	\$3,336,911
	592,735	12/31/2014	5.0	118,547	-	355,641
Economic/ Demographic (gains) or losses						
	(1,130,757)	12/31/2015	5.0	(226,151)	\$904,606	
	(254,397)	12/31/2014	5.0	(42,399)	169,599	
Assumption changes or inputs						
	340,008	12/31/2015	5.0	68,002	-	272,007
	-	12/31/2014	6.0	-	-	-

Employer contributions made subsequent to measurement date

-----Employer Determined-----

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

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

Year ended December 31:		
2016	\$	752,226
2017		752,226
2018		752,226
2019		633,679
2020		-
Thereafter		-

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee and employer contribution will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

The following presents the net pension liability of the County, calculated using the discount rate of 7.0%, as well as what the County's net pension liability would be if were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total Pension Liability	\$50,739,949	\$ 44,335,925	\$39,091,771
Fiduciary Net Position	<u>42,232,572</u>	<u>42,232,572</u>	<u>42,232,572</u>
Net pension liability/asset	8,507,378	2,103,353	(3,140,801)

H. Subsequent Events

The County evaluated events and transactions occurring subsequent to September 30, 2016 through the date the financial statements were issued. During this period, there are no subsequent events that require recognition in the financial statements.

I. Contingent Liabilities

Litigation:

Various lawsuits are pending against the County involving general liability, civil rights actions and various contractual matters. In the opinion of County management, the potential claims against the County not covered by insurance resulting from such litigation will not materially affect the financial position of the County.

ZAPATA COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016

J. Risk Management

The County's risk management program includes coverage for property, general liability, automobile liability, law enforcement liability, public officials' liability and employee dishonesty bonds. The County carries commercial insurance.

K. Landfill Closure and Postclosure Costs Liability

State and federal laws and regulations require the County to place final covers on its landfill site when it stops accepting waste at these sites. The County will also be required to perform certain maintenance and monitoring functions for thirty years at the landfill site.

The Governmental Accounting Standards Board (GASB) Statement Number 18, "Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs," addresses the financial statement effect of complying with EPA and state requirements. GASB Statement 18 requires that all closure and postclosure care costs be recognized during the operating life of the landfill. Accordingly, a portion of the total estimated closure and postclosure care costs, based on the ratio of landfill capacity, should be recognized as an expense and/or liability each period the landfill accepts waste.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs. The County established a separate account in October 1997 for these purposes. It is anticipated that future inflation costs will be paid in part from interest earnings on this account. However, if additional postclosure care requirements are determined (due changes in technology or applicable laws or regulations, for example) or interest earnings are inadequate, these costs may need to be covered by charges to future landfill users or from future tax revenue. Landfill Closure and Postclosure Costs in the amount of \$807,282 are recorded on the statement of net position to reflected the estimated liability for these costs.

L. Prior Period Adjustments

Prior period adjustments were needed in several funds in order to properly state the correct financial position of the County as indicated below:

<u>Non-major Governmental Fund</u>	
Adjustment to correct prior fund balance	\$ (25,535)
Total prior period adjustment General Fund	<u>(25,535)</u>
 <u>Government-Wide Adjustments</u>	
Adjustment to other accounts	-
Total prior period adjustments Governmental	<u>\$ (25,535)</u>



REQUIRED SUPPLEMENTAL INFORMATION

**ZAPATA COUNTY, TEXAS  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2016**

	2016			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
<b>REVENUES:</b>				
<b>Taxes:</b>				
Current property taxes	\$ 7,502,127	\$ 7,502,127	\$ 7,220,793	\$ (281,334)
Delinquent property taxes	230,000	230,000	175,291	(54,709)
Penalties and interest on taxes	135,000	135,000	212,554	77,554
Sales Taxes	1,200,000	1,200,000	1,372,089	172,089
<b>Total taxes</b>	<u>9,067,127</u>	<u>9,067,127</u>	<u>8,980,727</u>	<u>(86,400)</u>
<b>Licenses and permits:</b>				
Business and license and permits	500	500	1,730	1,230
<b>Total licenses and permits</b>	<u>500</u>	<u>500</u>	<u>1,730</u>	<u>1,230</u>
<b>Intergovernmental</b>				
Zapata I.S.D. shared tax office	148,582	148,582	150,413	1,831
Water connections	34,000	32,500	36,917	4,417
Other	-	-	1,152	1,152
<b>Total intergovernmental</b>	<u>182,582</u>	<u>181,082</u>	<u>188,482</u>	<u>7,400</u>
<b>Charges for services:</b>				
Sheriff fees	10,000	10,000	6,922	(3,078)
Bond fees	-	-	3,220	3,220
County clerk fees	75,000	75,000	70,558	(4,442)
District clerk fees	95,000	95,000	71,947	(23,053)
Community Supervision	-	-	-	-
Other fees	1,000	1,000	24,212	23,212
<b>Total charges for services</b>	<u>181,000</u>	<u>181,000</u>	<u>176,859</u>	<u>(4,141)</u>
<b>Interest</b>	20,000	20,000	29,721	9,721
<b>Other:</b>				
Rent-Civic Center	6,000	6,000	3,470	(2,530)
Pavilion	10,500	10,500	12,384	1,884
Zapata Community Center	15,000	15,000	22,314	7,314
Swimming pool	4,000	4,000	2,156	(1,844)
Jail	1,850,000	1,850,000	2,358,406	508,406
Jail Telephone Commission	40,000	40,000	53,969	13,969
Landfill	265,000	265,000	248,749	(16,251)
Emergency Medical Service	500,000	500,000	568,505	68,505
Oil and Gas Royalty	100,000	100,000	90,450	(9,550)
ARM Ordinance	690,000	690,000	619,500	(70,500)
Insurance settlement	-	-	1,271,824	1,271,824
Miscellaneous	46,000	46,000	73,571	27,571
<b>Total Other</b>	<u>3,526,500</u>	<u>3,526,500</u>	<u>5,325,298</u>	<u>1,798,798</u>
<b>TOTAL REVENUES</b>	<u>12,977,709</u>	<u>12,976,209</u>	<u>14,702,817</u>	<u>1,726,608</u>

**ZAPATA COUNTY, TEXAS  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2016**

	2016			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
<b>EXPENDITURES:</b>				
<b>General Government</b>				
County Judge				
Personnel	128,825	128,825	126,529	2,296
Fringe Benefits	49,889	49,889	53,685	(3,796)
Travel and Education	8,000	8,000	7,479	521
Supplies	4,500	4,500	2,670	1,830
Indigent Defense County Court	15,000	20,000	24,755	(4,755)
Other	7,320	7,320	7,056	264
Total County Judge	<u>213,534</u>	<u>218,534</u>	<u>222,174</u>	<u>(3,640)</u>
County Commissioner Precinct 1				
Personnel	79,337	79,337	78,756	581
Fringe Benefits	34,076	34,076	33,956	120
Travel and Education	3,500	3,500	3,474	26
Parks	20,000	20,000	19,581	419
Total County Commissioner Precinct 1	<u>136,913</u>	<u>136,913</u>	<u>135,767</u>	<u>1,146</u>
County Commissioner Precinct 2				
Personnel	58,286	58,286	57,900	386
Fringe Benefits	23,649	23,649	23,647	2
Travel and Education	3,500	1,476	1,476	-
Parks	20,000	22,024	22,158	(134)
Other	-	-	-	-
Total County Commissioner Precinct 2	<u>105,435</u>	<u>105,435</u>	<u>105,181</u>	<u>254</u>
County Commissioner Precinct 3				
Personnel	60,366	60,366	60,233	133
Fringe Benefits	24,044	24,044	23,751	293
Travel and Education	3,500	2,296	2,246	50
Parks	20,000	25,704	25,146	558
Total County Commissioner Precinct 3	<u>107,910</u>	<u>112,410</u>	<u>111,376</u>	<u>1,034</u>
County Commissioner Precinct 4				
Personnel	62,446	62,446	66,900	(4,454)
Fringe Benefits	24,437	24,437	27,101	(2,664)
Travel and Education	3,500	6,100	5,836	264
Supplies	4,000	6,400	2,283	4,117
Parks	20,000	15,000	13,343	1,657
Total County Commissioner Precinct 4	<u>114,383</u>	<u>114,383</u>	<u>115,463</u>	<u>(1,080)</u>
County Auditor				
Personnel	104,575	104,575	105,390	(815)
Fringe Benefits	39,126	39,126	38,590	536
Travel and Education	6,000	6,000	5,977	23
Supplies	5,500	5,500	5,135	365
Other	4,965	4,965	4,867	98
Total Auditor	<u>160,166</u>	<u>160,166</u>	<u>159,959</u>	<u>207</u>
Tax Assessor/Collector				
Personnel	158,820	158,820	155,320	3,500
Fringe Benefits	68,451	68,451	60,644	7,807
Travel and Education	5,625	5,625	5,398	227
Supplies	27,500	29,500	27,626	1,874
Other	34,500	32,500	30,105	2,395
Total Tax Assessor/Collector	<u>294,896</u>	<u>294,896</u>	<u>279,093</u>	<u>15,803</u>

**ZAPATA COUNTY, TEXAS  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2016**

	2016			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
<b>County Clerk</b>				
Personnel	106,392	106,392	106,987	(595)
Fringe Benefits	45,640	45,640	48,743	(3,103)
Travel and Education	3,500	4,580	4,556	24
Contract Services	40,000	40,000	39,552	448
Supplies	6,400	5,720	5,251	469
Election Expense	35,000	34,600	37,447	(2,847)
Other	11,100	11,100	11,362	(262)
<b>Total County Clerk</b>	<u>248,032</u>	<u>248,032</u>	<u>253,898</u>	<u>(5,866)</u>
<b>County Treasurer</b>				
Personnel	161,358	161,358	161,636	(278)
Fringe Benefits	62,492	62,492	62,603	(111)
Travel and Education	3,750	5,700	5,643	57
Supplies	7,000	5,050	4,367	683
Other	4,586	4,586	4,280	306
<b>Total County Treasurer</b>	<u>239,186</u>	<u>239,186</u>	<u>238,529</u>	<u>657</u>
<b>Personnel Department</b>				
Personnel	27,669	27,669	27,882	(213)
Fringe Benefits	11,681	11,681	11,801	(120)
Travel and Education	1,500	1,500	1,500	-
Supplies	1,500	1,500	1,500	-
<b>Total Personnel Department</b>	<u>42,350</u>	<u>42,350</u>	<u>42,683</u>	<u>(333)</u>
<b>Custodial and Maintenance Service</b>				
Personnel	102,933	102,933	103,930	(997)
Fringe Benefits	52,896	52,896	53,444	(548)
Contract Services	36,400	36,400	36,461	(61)
Supplies	23,000	23,000	23,000	-
Other	16,000	16,000	15,632	368
<b>Total Custodial and Maintenance Service</b>	<u>231,229</u>	<u>231,229</u>	<u>232,467</u>	<u>(1,238)</u>
<b>Non-Department</b>				
Personnel	71,941	71,941	73,459	(1,518)
Fringe Benefits	22,987	22,987	23,304	(317)
Travel and Education	2,500	500	1,228	(728)
Contract Services	140,000	151,300	183,322	(32,022)
Supplies	18,750	8,425	12,333	(3,908)
Retiree Health Insurance	-	-	5,889	(5,889)
Telephone	200,000	200,000	196,316	3,684
Utilities-General	897,000	897,000	999,489	(102,489)
Insurance-General	325,000	325,000	331,645	(6,645)
Computer Programs	20,000	22,317	22,317	-
Jury Fund	20,000	18,000	16,383	1,617
Appraisal District	255,000	255,000	271,784	(16,784)
Border Regional MHMR	1,000	1,000	1,000	-
Food Pantry	10,000	10,000	9,232	768
Postage	11,500	17,508	17,428	80
County Property Repairs	65,000	43,400	43,256	144
Law Books and Periodicals	5,000	5,000	2,758	2,242
Autopsies	15,000	20,000	28,353	(8,353)
Oil & Gas Expense	-	-	74,941	(74,941)
Siesta Shores WCID Water Tank Repair	-	-	188,829	(188,829)
Other	36,000	31,800	26,310	5,490
<b>Total Non-Department</b>	<u>2,116,678</u>	<u>2,101,178</u>	<u>2,529,576</u>	<u>(428,398)</u>
<b>Total General Government</b>	<u>4,010,712</u>	<u>4,004,712</u>	<u>4,426,166</u>	<u>(421,454)</u>

**ZAPATA COUNTY, TEXAS  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2016**

	2016			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
<b>Public Safety</b>				
Sheriff Department				
Personnel	1,201,018	1,201,018	1,220,404	(19,386)
Fringe Benefits	490,433	490,433	477,656	12,777
Travel and Education	7,500	7,500	6,245	1,255
Supplies	16,125	16,125	15,902	223
Fuel & Lubricants	100,000	100,000	110,600	(10,600)
Repairs & Maintenance	98,225	106,225	104,785	1,440
Other	6,750	6,750	14,720	(7,970)
Total Sheriff Department	<u>1,920,051</u>	<u>1,928,051</u>	<u>1,950,312</u>	<u>(22,261)</u>
CSI Specialist				
Personnel	41,000	41,000	59,915	(18,915)
Fringe Benefits	14,206	14,206	18,526	(4,320)
Travel and Education	2,000	2,000	2,002	(2)
Supplies	3,200	3,200	2,920	280
Other	7,500	7,500	7,357	143
Total CSI Specialist	<u>67,906</u>	<u>67,906</u>	<u>90,720</u>	<u>(22,814)</u>
Constables				
Personnel	50,844	50,844	51,235	(391)
Fringe Benefits	35,511	35,511	22,832	12,679
Travel and Education	4,000	4,000	1,458	2,542
Supplies	9,200	9,200	1,833	7,367
Other	3,200	3,200	912	2,288
Total Constables	<u>102,755</u>	<u>102,755</u>	<u>78,270</u>	<u>24,485</u>
Fire Fighting and Ambulance Services				
Personnel	1,221,817	1,221,817	1,141,125	80,692
Fringe Benefits	421,182	420,941	401,077	19,864
Travel and Education	7,500	7,500	6,406	1,094
Contract Services	28,000	30,400	33,000	(2,600)
Supplies	107,000	94,000	80,835	13,165
Other	33,000	43,841	37,440	6,401
Total Fire Fighting and Ambulance Services	<u>1,818,499</u>	<u>1,818,499</u>	<u>1,699,883</u>	<u>118,616</u>
Safety and Risk Management				
Personnel	7,441	7,441	7,498	(57)
Fringe Benefits	1,832	1,832	2,759	(927)
Travel and Education	3,000	3,000	1,476	1,524
Supplies	5,150	5,150	4,021	1,129
Other	4,000	4,000	3,417	583
Total Safety and Risk Management	<u>21,423</u>	<u>21,423</u>	<u>19,171</u>	<u>2,252</u>
Juvenile Probation				
Personnel	114,719	114,719	112,003	2,716
Fringe Benefits	86,434	86,434	62,193	24,241
Travel and Education	18,000	18,000	17,358	642
Contract Services	28,500	28,500	11,132	17,368
Supplies	14,000	14,000	9,136	4,864
Repairs & Maintenance	4,500	4,500	3,951	549
Other	4,500	4,500	4,269	231
Total Juvenile Probation	<u>270,653</u>	<u>270,653</u>	<u>220,042</u>	<u>50,611</u>
Adult Probation				
Supplies	4,500	4,500	4,504	(4)
Total Adult Probation	<u>4,500</u>	<u>4,500</u>	<u>4,504</u>	<u>(4)</u>
<b>Total Public Safety</b>	<u>4,205,787</u>	<u>4,213,787</u>	<u>4,062,902</u>	<u>150,885</u>

**ZAPATA COUNTY, TEXAS  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2016**

	2016			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
<b>Justice System</b>				
Justices of the Peace				
Personnel	200,539	200,539	201,730	(1,191)
Fringe Benefits	93,222	93,222	93,236	(14)
Travel and Education	6,000	6,000	6,381	(381)
Supplies	14,000	16,200	15,095	1,105
Other	18,400	16,200	11,356	4,844
<b>Total Justices of the Peace</b>	<b>332,161</b>	<b>332,161</b>	<b>327,798</b>	<b>4,363</b>
County Attorney				
Personnel	180,190	190,190	182,543	7,647
Fringe Benefits	64,978	64,978	71,406	(6,428)
Travel and Education	3,000	3,000	2,727	273
Supplies	5,000	2,500	2,114	386
Vehicle Expense	8,000	5,000	4,273	727
Other	8,500	14,000	12,423	1,577
<b>Total County Attorney</b>	<b>269,668</b>	<b>279,668</b>	<b>275,486</b>	<b>4,182</b>
49th District Court				
Personnel	79,165	79,165	78,397	768
Fringe Benefits	31,143	31,143	29,478	1,665
Travel and Education	7,500	5,300	1,467	3,833
Contract Services	135,000	135,000	92,952	42,048
Supplies	6,450	6,450	4,282	2,168
Other	5,000	7,200	3,784	3,416
<b>Total 49th District Court</b>	<b>264,258</b>	<b>264,258</b>	<b>210,360</b>	<b>53,898</b>
District Clerk				
Personnel	108,348	108,348	109,181	(833)
Fringe Benefits	46,011	46,011	46,823	(812)
Travel and Education	2,000	2,800	2,732	68
Supplies	9,250	8,450	5,307	3,143
Other	9,100	9,100	7,730	1,370
<b>Total District Clerk</b>	<b>174,709</b>	<b>174,709</b>	<b>171,773</b>	<b>2,936</b>
District Attorney				
Personnel	13,934	13,934	14,041	(107)
Fringe Benefits	1,066	1,066	1,161	(95)
<b>Total District Attorney</b>	<b>15,000</b>	<b>15,000</b>	<b>15,202</b>	<b>(202)</b>
<b>Total Justice System</b>	<b>1,055,796</b>	<b>1,065,796</b>	<b>1,000,619</b>	<b>65,177</b>
<b>Health and Human Services</b>				
Indigent Health Care				
Personnel	26,952	26,952	25,230	1,722
Fringe Benefits	11,182	11,182	11,101	81
Travel and Education	2,000	2,000	1,708	292
Supplies	3,000	3,000	3,017	(17)
Indigent Health Care	632,970	632,970	625,828	7,142
Other	12,600	12,600	12,600	-
<b>Total Indigent Health Care</b>	<b>688,704</b>	<b>688,704</b>	<b>679,484</b>	<b>9,220</b>
Environmental Health				
Personnel	227,388	227,388	220,882	6,506
Fringe Benefits	115,707	115,707	105,638	10,069
Travel and Education	2,000	2,000	2,000	-
Supplies	25,000	25,000	34,676	(9,676)
Other	131,550	131,550	115,452	16,098
<b>Total Environmental Health</b>	<b>501,645</b>	<b>501,645</b>	<b>478,648</b>	<b>22,997</b>
<b>Total Health and Human Services</b>	<b>1,190,349</b>	<b>1,190,349</b>	<b>1,158,132</b>	<b>32,217</b>

**ZAPATA COUNTY, TEXAS  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2016**

	2016			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
<b>Environmental Services</b>				
Recycling				
Personnel	49,463	49,463	49,771	(308)
Fringe Benefits	22,919	22,919	22,980	(61)
Travel and Education	1,000	1,000	1,000	-
Supplies	3,000	3,000	2,303	697
Other	4,000	4,000	2,880	1,120
Total Recycling	<u>80,382</u>	<u>80,382</u>	<u>78,934</u>	<u>1,448</u>
Agriculture and Livestock				
Personnel	18,373	18,373	39,865	(21,492)
Fringe Benefits	14,010	14,010	12,499	1,511
Travel and Education	2,500	2,500	3,192	(692)
Supplies	3,000	3,000	2,222	778
Total Agriculture and Livestock	<u>37,883</u>	<u>37,883</u>	<u>57,778</u>	<u>(19,895)</u>
<b>Total Environmental Services</b>	<u>118,265</u>	<u>118,265</u>	<u>136,712</u>	<u>(18,447)</u>
<b>Corrections and Rehabilitation</b>				
County Jail				
Personnel	296,308	296,308	300,813	(4,505)
Fringe Benefits	139,901	139,901	133,614	6,287
Travel and Education	4,000	4,000	3,260	740
Supplies	6,500	6,500	5,949	551
Prisoner Expenses	80,600	80,600	78,572	2,028
Repairs & Maintenance	20,000	20,000	19,948	52
Other	18,500	18,500	18,672	(172)
Total County Jail	<u>565,809</u>	<u>565,809</u>	<u>560,828</u>	<u>4,981</u>
Regional Jail				
Personnel	807,993	807,993	924,524	(116,531)
Fringe Benefits	386,229	386,229	387,525	(1,296)
Travel and Education	11,500	11,500	8,778	2,722
Supplies	14,500	14,500	14,436	64
Prisoner Expenses	375,200	367,200	325,572	41,628
Repairs & Maintenance	41,500	41,500	40,718	782
Other	33,000	33,000	31,113	1,887
Total Regional Jail	<u>1,669,922</u>	<u>1,661,922</u>	<u>1,732,666</u>	<u>(70,744)</u>
<b>Total Corrections and Rehabilitation</b>	<u>2,235,731</u>	<u>2,227,731</u>	<u>2,293,494</u>	<u>(65,763)</u>
<b>Community and Economic Development</b>				
Zapata Civic Center				
Personnel	66,332	66,332	66,837	(505)
Fringe Benefits	32,283	32,283	32,772	(489)
Travel and Education	1,000	-	-	-
Supplies	7,000	13,596	13,638	(42)
Other	13,000	13,404	13,404	-
Total Zapata Civic Center	<u>119,615</u>	<u>125,615</u>	<u>126,651</u>	<u>(1,036)</u>
San Ygnacio Civic Center				
Personnel	4,000	4,000	6,200	(2,200)
Fringe Benefits	426	426	637	(211)
Supplies	2,000	2,000	1,992	8
Other	2,000	2,000	1,923	77
Total San Ygnacio Civic Center	<u>8,426</u>	<u>8,426</u>	<u>10,752</u>	<u>(2,326)</u>

**ZAPATA COUNTY, TEXAS  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
YEAR ENDED SEPTEMBER 30, 2016**

	2016			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts, Budgetary Basis	
	Original	Final		
Falcon Community Center				
Personnel	5,000	5,000	4,993	7
Fringe Benefits	1,098	1,098	2,546	(1,448)
Supplies	500	500	109	391
Total Falcon Community Center	<u>6,598</u>	<u>6,598</u>	<u>7,648</u>	<u>(1,050)</u>
County Library System				
Personnel	99,008	99,008	90,547	8,461
Fringe Benefits	50,952	50,952	46,471	4,481
Travel and Education	3,000	-	-	-
Supplies	9,000	11,000	10,198	802
Books & Periodicals	8,500	11,500	10,757	743
Other	7,000	5,000	5,000	-
Total County Library System	<u>177,460</u>	<u>177,460</u>	<u>162,973</u>	<u>14,487</u>
Romeo Flores Park Swimming Complex				
Personnel	5,000	5,000	3,072	1,928
Fringe Benefits	533	533	335	198
Supplies	3,500	3,500	2,751	749
Contracted Services	10,000	10,000	5,685	4,315
Other	4,000	4,000	5,358	(1,358)
Total Romeo Flores Park Swimming Complex	<u>23,033</u>	<u>23,033</u>	<u>17,201</u>	<u>5,832</u>
Department of Aviation				
Personnel	28,783	28,783	29,004	(221)
Fringe Benefits	11,891	11,891	12,406	(515)
Contracted Services	10,000	10,000	3,533	6,467
Other	12,000	12,000	10,798	1,202
Total Department of Aviation	<u>62,674</u>	<u>62,674</u>	<u>55,741</u>	<u>6,933</u>
<b>Total Community and Economic Development</b>	<u>397,806</u>	<u>403,806</u>	<u>380,966</u>	<u>22,840</u>
<b>Capital Outlay</b>				
Capital Outlay Department	88,000	88,000	357,142	(269,142)
<b>Total Capital Outlay</b>	<u>88,000</u>	<u>88,000</u>	<u>357,142</u>	<u>(269,142)</u>
<b>TOTAL EXPENDITURES</b>	<u>13,302,446</u>	<u>13,312,446</u>	<u>13,816,133</u>	<u>(503,687)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(324,737)</u>	<u>(336,237)</u>	<u>886,684</u>	<u>1,222,921</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	-	-	648	648
Operating transfers out	(334,855)	(334,855)	(316,194)	18,661
<b>Net other financing sources (uses)</b>	<u>(334,855)</u>	<u>(334,855)</u>	<u>(315,546)</u>	<u>19,309</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>(659,592)</u>	<u>(671,092)</u>	<u>571,138</u>	<u>1,242,230</u>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	12,029,458	12,029,458	12,029,458	-
<b>PRIOR PERIOD ADJUSTMENT</b>	-	-	-	-
<b>FUND BALANCE AT END OF YEAR</b>	<u>11,369,866</u>	<u>11,358,366</u>	<u>12,600,596</u>	<u>1,242,230</u>



ZAPATA COUNTY, TEXAS  
REQUIRED SUPPLEMENTAL INFORMATION  
SEPTEMBER 30, 2016

SCHEDULE OF CHANGES IN THE COUNTY'S NET  
PENSION LIABILITY AND RELATED RATIOS

<b>Total pension liability</b>	Year Ended September 30	
	2015	2014
Service Cost	\$ 1,351,831	\$ 1,373,043
Interest on the total pension liability)	3,418,454	3,194,801
Changes of benefit terms	(227,680)	-
Difference between expected and actual experience	-	-
Change of assumptions	340,008	-
Effect of economic/demographic gains or losses	(1,130,757)	(254,397)
Benefit payments, including refunds of employee contributions	(1,768,063)	(1,432,411)
Net Change in Total Pension Liability	1,983,793	2,881,036
Total Pension Liability-Beginning	42,352,131	39,471,095
Total Pension Liability- Ending (a)	\$ 44,335,924	\$ 42,352,131
<b>Plan Fiduciary Net Position</b>		
Contributions- Employer	\$ 792,295	\$ 887,889
Contributions- Member	608,512	638,767
Net Investment Income	(648,125)	2,727,093
Benefit payments, including refunds of employee contributions	(1,768,063)	(1,432,411)
Administrative expense	(30,800)	(32,339)
Other	(59,165)	(13,753)
Net Change in Plan Fiduciary Net Position	(1,105,347)	2,775,246
Plan Fiduciary Net Position- Beginning	43,337,918	40,562,673
Plan Fiduciary Net Position- Ending (b)	\$ 42,232,572	\$ 43,337,919
Net Pension Liability- Ending (a) - (b)	\$ 2,103,353	\$ (985,788)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.26%	102.33%
Covered Employee Payroll	\$ 8,583,873	\$ 9,125,238
Net Pension Liability as a Percentage of Covered Employee Payroll	24.50%	-10.80%

## COMBINING FUND STATEMENTS

ZAPATA COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2016

	Special Road and Bridge	Lateral Road	Task Force	Emergency Management/ Fire Marshal	Information & Assistance Program	Nutrition Cener	Sheriff Forfeiture	Hotel/ Motel	Courthouse Security	Justice Court Technology	Reserve 1991
<b>ASSETS</b>											
Cash and Cash Equivalents	979,104	329,403					69,553	18,920	109,917	45,401	14,249
Receivables (net of allowance)	222,615	76	87,124		1,600	6,894		12,609	20	11	
Due from Other Funds	124,597		-	789	3,665						
<b>Total Assets</b>	<b>1,326,316</b>	<b>329,479</b>	<b>87,124</b>	<b>789</b>	<b>5,265</b>	<b>6,894</b>	<b>69,553</b>	<b>31,529</b>	<b>109,937</b>	<b>45,412</b>	<b>14,249</b>
<b>LIABILITIES AND FUND BALANCES</b>											
Accounts Payable	9,478			119	4,373	1,567				542	
Bank Overdraft			-								
Accrued Wages Payable	17,026		1,920	670	892	4,072					
Retainage Payable											
Due to Other Funds		4,465	85,204				1,255	273,830	1,942	3,390	56,929
Unearned Revenues	191,270										
<b>Total Liabilities</b>	<b>217,774</b>	<b>4,465</b>	<b>87,124</b>	<b>789</b>	<b>5,265</b>	<b>6,894</b>	<b>273,830</b>	<b>1,942</b>	<b>3,390</b>	<b>57,471</b>	<b>-</b>
<b>Fund Balances:</b>											
<b>Restricted:</b>											
General Government											14,249
Public Safety							(204,277)				
Justice System									106,547	(12,059)	
Health & Human Services											
Infrastructure & Environmental Services	1,108,542	325,014									
Community and Economic Development								29,587			
Capital Outlay											
Debt Service											
Unassigned											
<b>Total Fund Balances</b>	<b>1,108,542</b>	<b>325,014</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(204,277)</b>	<b>29,587</b>	<b>106,547</b>	<b>(12,059)</b>	<b>14,249</b>
<b>Total Liabilities and Fund Balances</b>	<b>1,326,316</b>	<b>329,479</b>	<b>87,124</b>	<b>789</b>	<b>5,265</b>	<b>6,894</b>	<b>69,553</b>	<b>31,529</b>	<b>109,937</b>	<b>45,412</b>	<b>14,249</b>

ZAPATA COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2016

	Tobacco Settlement	Records Management	Records Management Statute	Records Management	SW Texas Border HIDTA	County Attorney Forfeiture	Sheriff Training	Sheriff Chapter 59	Juvenile Probation Title IV-E	SW Texas OCDETF	Juvenile Probation
<b>ASSETS</b>											
Cash and Cash Equivalents	107,205	173,001	16,509	6,815		59,947	459	27,920	58,575	2,967	15,564
Receivables (net of allowance)		90			7,975						
Due from Other Funds		33,288									
<b>Total Assets</b>	<b>107,205</b>	<b>206,379</b>	<b>16,509</b>	<b>6,815</b>	<b>7,975</b>	<b>59,947</b>	<b>459</b>	<b>27,920</b>	<b>58,575</b>	<b>2,967</b>	<b>15,564</b>
<b>LIABILITIES AND FUND BALANCES</b>											
Accounts Payable											165
Bank Overdraft											
Accrued Wages Payable					960						2,506
Retainage Payable											
Due to Other Funds	59,359				7,015		375		15,076		62,249
Unearned Revenues											
<b>Total Liabilities</b>	<b>59,359</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,975</b>	<b>-</b>	<b>375</b>	<b>-</b>	<b>15,076</b>	<b>-</b>	<b>64,920</b>
<b>Fund Balances:</b>											
<b>Restricted:</b>											
General Government		206,379	16,509	6,815							
Public Safety							84	27,920	43,499	2,967	
Justice System						59,947					(49,356)
Health & Human Services	47,846										
Infrastructure & Environmental Services											
Community and Economic Development											
Capital Outlay											
Debt Service											
Unassigned											
<b>Total Fund Balances</b>	<b>47,846</b>	<b>206,379</b>	<b>16,509</b>	<b>6,815</b>	<b>-</b>	<b>59,947</b>	<b>84</b>	<b>27,920</b>	<b>43,499</b>	<b>2,967</b>	<b>(49,356)</b>
<b>Total Liabilities and Fund Balances</b>	<b>107,205</b>	<b>206,379</b>	<b>16,509</b>	<b>6,815</b>	<b>7,975</b>	<b>59,947</b>	<b>459</b>	<b>27,920</b>	<b>58,575</b>	<b>2,967</b>	<b>15,564</b>

ZAPATA COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2016

	Capital Projects									TOTALS
	TJJD Prevention Grant S	Mentoring Work Force 2710001	Regional Diversion Grant R	TEOAF Grant	Flores Addition 711325	TXDOT CTIF	Alamo Mira Flores 713521	Bluff Project 7214095	Truman Phelts 7215085	
<b>ASSETS</b>										
Cash and Cash Equivalents	3,625						16,151			2,055,285
Receivables (net of allowance)		11,043	12,642	67,446		56,608	4,000	52,736	6,800	550,289
Due from Other Funds										162,339
<b>Total Assets</b>	<b>3,625</b>	<b>11,043</b>	<b>12,642</b>	<b>67,446</b>	<b>-</b>	<b>56,608</b>	<b>20,151</b>	<b>52,736</b>	<b>6,800</b>	<b>2,767,913</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Accounts Payable			12,642							28,886
Bank Overdraft										-
Accrued Wages Payable										28,046
Retainage Payable										-
Due to Other Funds	3,625	11,043		67,446		56,608	20,151	52,736	6,800	789,498
Unearned Revenues										191,270
<b>Total Liabilities</b>	<b>3,625</b>	<b>11,043</b>	<b>12,642</b>	<b>67,446</b>	<b>-</b>	<b>56,608</b>	<b>20,151</b>	<b>52,736</b>	<b>6,800</b>	<b>1,037,700</b>
<b>Fund Balances:</b>										
<b>Restricted:</b>										
General Government										243,952
Public Safety										(129,807)
Justice System										105,079
Health & Human Services										47,846
Infrastructure & Environmental Services										1,433,556
Community and Economic Development										29,587
Capital Outlay										-
Debt Service										-
Unassigned										-
<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,730,213</b>
<b>Total Liabilities and Fund Balances</b>	<b>3,625</b>	<b>11,043</b>	<b>12,642</b>	<b>67,446</b>	<b>-</b>	<b>56,608</b>	<b>20,151</b>	<b>52,736</b>	<b>6,800</b>	<b>2,767,913</b>

ZAPATA COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Road and Bridge	Lateral Road	Task Force	Emergency Management/ Fire Marshal	Information & Assistance Program	Nutrition Cener	Sheriff Forfeiture	Hotel/ Motel	Courthouse Security	Justice Court Technology	Reserve 1991
<b>REVENUES:</b>											
Taxes:											
Property Taxes	588,591	1,053									
Penalty & Interest on Taxes	16,128	602									
Sales Taxes											
Hotel/Motel								186,232			
Intergovernmental			142,670			55,453					
Licenses and Permits	395,785										
Charges for Services					16,552	7,196					
Fines and Forfeitures	144,118						59,464		6,441	3,784	
Interest	3,823	1,068					74	62	159	65	27
Miscellaneous											
Total Revenues	1,148,445	2,723	142,670	-	16,552	62,649	59,538	186,294	6,600	3,849	27
<b>EXPENDITURES:</b>											
Current:											
General Government											12,441
Public Safety			142,670	47,028			33,503				
Justice System									81	11,961	
Health & Human Services					78,064	270,303					
Infrastructure & Environmental Services	1,305,947										
Community & Economic Development								196,742			
Capital Outlay											
Debt Service:											
Principal Retirement											
Interest and Fiscal Charges											
Total Expenditures	1,305,947	-	142,670	47,028	78,064	270,303	33,503	196,742	81	11,961	12,441
Excess (Deficiency) of Revenues Over (Under) Expenditures	(157,502)	2,723	-	(47,028)	(61,512)	(207,654)	26,035	(10,448)	6,519	(8,112)	(12,414)
<b>OTHER FINANCING SOURCES (USES):</b>											
Operating Transfers In				47,028	61,512	207,654					
Operating Transfers Out	(11,592)										
Loan Proceeds											
Total Other Financing Sources (Uses)	(11,592)	-	-	47,028	61,512	207,654	-	-	-	-	-
Net Change in Fund Balances	(169,094)	2,723	-	-	-	-	26,035	(10,448)	6,519	(8,112)	(12,414)
Fund Balance - Beginning of Year	1,277,636	322,291					(230,312)	40,035	100,028	(3,947)	26,663
Fund Balance - End of Year	1,108,542	325,014	-	-	-	-	(204,277)	29,587	106,547	(12,059)	14,249

ZAPATA COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Tobacco Settlement	Records Management	Records Management Statute	Records Management	SW Texas Border HIDTA	County Attorney Forfeiture	Sheriff Training	Sheriff Chapter 59	Juvenile Probation Title IV-E	SW Texas OCDETF	Juvenile Probation
<b>REVENUES:</b>											
Taxes:											
Property Taxes											
Penalty & Interest on Taxes											
Sales Taxes											
Hotel/Motel											
Intergovernmental	42,897				65,099		5,777			28,452	218,996
Licenses and Permits											
Charges for Services		22,101	155	979							
Fines and Forfeitures								26,436			
Interest						39		39	63		13
Miscellaneous											126
Total Revenues	42,897	22,101	155	979	65,099	39	5,777	26,475	63	28,452	219,135
<b>EXPENDITURES:</b>											
Current:											
General Government				1,062							
Public Safety					65,099		6,437	8,771		25,485	
Justice System						25,946					221,845
Health & Human Services	70,666										
Infrastructure & Environmental Services											
Community & Economic Development											
Capital Outlay											
Debt Service:											
Principal Retirement											
Interest and Fiscal Charges											
Total Expenditures	70,666	-	-	1,062	65,099	25,946	6,437	8,771	-	25,485	221,845
Excess (Deficiency) of Revenues Over (Under) Expenditures	(27,769)	22,101	155	(83)	-	(25,907)	(660)	17,704	63	2,967	(2,710)
<b>OTHER FINANCING SOURCES (USES):</b>											
Operating Transfers In											
Operating Transfers Out											
Loan Proceeds											
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	(27,769)	22,101	155	(83)	-	(25,907)	(660)	17,704	63	2,967	(2,710)
Fund Balance - Beginning of Year	75,615	184,278	16,354	6,898	-	85,854	744	10,216	43,436	-	(46,646)
Fund Balance - End of Year	47,846	206,379	16,509	6,815	-	59,947	84	27,920	43,499	2,967	(49,356)

ZAPATA COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCE  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Capital Projects									
	TJJD Prevention Grant S	Mentoring Work Force 2710001	Regional Diversion Grant R	TEOAF Grant	Flores Addition 711325	TXDOT CTIF	Alamo Mira Flores 713521	Bluff Project 7214095	Truman Phelts 7215085	TOTALS
REVENUES:										
Taxes:										
Property Taxes										589,644
Penalty & Interest on Taxes										16,730
Sales Taxes										-
Hotel/Motel										186,232
Intergovernmental	63,700	11,043	12,462	67,446		104,324		12,000	6,800	837,119
Licenses and Permits										395,785
Charges for Services										46,983
Fines and Forfeitures										240,243
Interest										5,432
Miscellaneous										126
Total Revenues	63,700	11,043	12,462	67,446	-	104,324	-	12,000	6,800	2,318,294
EXPENDITURES:										
Current:										
General Government										13,503
Public Safety				67,446						396,439
Justice System	63,700		12,462							335,995
Health & Human Services										419,033
Infrastructure & Environmental Services										1,305,947
Community & Economic Development		11,043								207,785
Capital Outlay						115,916		12,000	6,800	134,716
Debt Service:										-
Principal Retirement										-
Interest and Fiscal Charges										-
Total Expenditures	63,700	11,043	12,462	67,446	-	115,916	-	12,000	6,800	2,813,418
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-	-	(11,592)	-	-	-	(495,124)
OTHER FINANCING SOURCES (USES):										
Operating Transfers In						11,592				327,786
Operating Transfers Out					(648)					(12,240)
Loan Proceeds										-
Total Other Financing Sources (Uses)					(648)	11,592				315,546
Net Change in Fund Balances					(648)	-				(179,578)
Fund Balance - Beginning of Year	-	-	-	-	648	-	-	-	-	1,909,791
Fund Balance - End of Year	-	-	-	-	-	-	-	-	-	1,730,213



SINGLE AUDIT SECTION



Aaron Canales, CPA  
Juan José Garza, CPA  
J. Clayton Baum, CPA (Ret.)  
Guadalupe García-Wright, CPA

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

To the Honorable County Judge  
And Honorable County Commissioners  
County of Zapata, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Zapata, Texas, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the County of Zapata, Texas' basic financial statements, and have issued our report thereon dated June 29, 2017.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Zapata, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain

provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Canales, Hargis & Baum, PLLC*

Laredo, Texas  
June 29, 2017



Aaron Canales, CPA  
Juan José Garza, CPA  
J. Clayton Baum, CPA (Ret.)  
Guadalupe Garcia-Wright, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE STATE OF TEXAS  
SINGLE AUDIT CIRCULAR

To the Honorable County Judge and  
the Honorable County Commissioners  
Zapata County, Texas

**Report on Compliance for Each Major State Program**

We have audited Zapata County, Texas (the "County") compliance with the types of compliance requirements described in the *State of Texas Single Audit Circular* that could have a direct and material effect on each of the County's major state programs for the year ended September 30, 2016. The County's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and State of Texas Single Audit Circular. Those standards and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major State Program**

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2016.

## Report on Internal Control over Compliance

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

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

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

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

*Canales, Hargis & Baum, PLLC*

Laredo, Texas  
June 29, 2017

ZAPATA COUNTY, TEXAS  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2016

STATE GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	GRANT NUMBER	STATE EXPENDITURES
<b>STATE AWARDS</b>		
<b><u>Texas Juvenile Justice Department</u></b>		
State Aid	TJJD-A-2015/16-253	\$ 219,035
Mental Health	TJJD-R-2015/16-253	12,642
Family Preservaton	TJJD-S-2015/16-253	63,700
<b>Total Texas Juvenile Justice Department</b>		<b>295,377</b>
<b><u>Texas Water Development Board</u></b>		
Drinking Water State Revolving Fund Project 61275	72123	457,284
<b>Total Texas Water Development Board</b>		<b>457,284</b>
<b><u>Office of the Governor</u></b>		
Delinquency Prevention	SF15J202710001	11,043
<b>Total Office of the Governor</b>		<b>11,043</b>
<b><u>Texas Department of Transportation</u></b>		
County Transportation Infrastructure Fund	CTIF-01-253	104,324
<b>Total Texas Department of Transportation</b>		<b>104,324</b>
<b>TOTAL EXPENDITURES OF STATE AWARDS</b>		<b>\$ 868,028</b>

NOTES TO SCHEDULE OF EXPENDITURES OF STATE AWARDS

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the grant activity of Zapata County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State of Texas Single Audit Circular, therefore some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of the basic financial statements.

Zapata County, Texas  
Schedule of Findings and Questioned Costs  
Year Ended September 30, 2016

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no Significant  
deficiencies identified that are not  
considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

Internal control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ yes  X  no  
Significant deficiencies identified that are  
not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Type of auditors' report issued on compliance  
for major programs: Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
the State of Texas Single Audit Circular? \_\_\_\_\_ yes  X  no

Identification of major programs:

CFDA Number(s) \_\_\_\_\_ Name of State Program or Cluster

TWDB – Drinking Water State Revolving Fund

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

**Section II - Financial Statement Findings**

None

**Section III - State Award Findings and Questioned Costs**

None



Zapata County, Texas  
Summary Schedule of Prior Audit Findings and Questioned Costs  
Year Ended September 30, 2016

**Summary of Prior Audit Findings**

**FEDERAL**

**2015-1 Accounting Information Maintenance**

The County's books were closed many months after the end of the fiscal year due to no internal process to adequately maintain the accounting information. This resulted in the Audit report to be late. The County books should be routinely maintained on a constant basis in order to ensure timely audit reports. The County has taken steps to correct this finding as shown in the 2016 audit.

**2015-2 Late Closing of Books (Compliance)**

The County's books were closed many months after the end of the fiscal year. This resulted in the Single Audit report to be late. The County books should be closed as soon as possible after the end of the fiscal year to ensure timely audit reports. The County has taken steps to correct this finding as shown in the 2016 audit.

**2014-1 No Internal Process to Adequately Maintain the Accounting Information**

The County's books were closed many months after the end of the fiscal year due to no internal process to adequately maintain the accounting information. This resulted in the Audit report to be late. The County books should be routinely maintained on a constant basis in order to ensure timely audit reports. The County has taken steps to correct this finding as shown in the 2016 audit.

**2014-2 Late Closing of Books (Compliance)**

The County's books were closed many months after the end of the fiscal year. This resulted in the Single Audit report to be late. The County books should be closed as soon as possible after the end of the fiscal year to ensure timely audit reports. The County has taken steps to correct this finding as shown in the 2016 audit.

**STATE**

None