

KAUFMAN COUNTY, TEXAS

ANNUAL FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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KAUFMAN COUNTY, TEXAS
ANNUAL FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

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KAUFMAN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

SEPTEMBER 30, 2018

Commissioners' Court:

County Judge	Mr. Hal Richards
Commissioner of Precinct #1	Mr. Mike Hunt
Commissioner of Precinct #2	Mr. Williams Phillips
Commissioner of Precinct #3	Mr. Terry Barber
Commissioner of Precinct #4	Mr. Ken Cates

Justices of the Peace:

Precinct #1	Ms. Mary Bardin
Precinct #2	Ms. Amy Tarno
Precinct #3	Mr. Mike Smith
Precinct #4	Mr. Johnny Adams

Constables:

Precinct #1	Mr. Shawn Mayfield
Precinct #2	Mr. Jason Johnson
Precinct #3	Mr. Keith Stephens
Precinct #4	Mr. Joseph Chad Jones

86th Judicial District of the State of Texas:

District Judge	Mr. Casey Blair
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KAUFMAN COUNTY, TEXAS

DIRECTORY OF OFFICIALS

SEPTEMBER 30, 2018

422nd Judicial District of the State of Texas:

District Judge	Mr. B. Michael Chitty
Criminal District Attorney	Ms. Erleigh Norville-Wiley
District Clerk	Ms. Rhonda Hughey
County Auditor	Ms. Karen MacLeod
Chief Adult Probation Officer	Mr. Lance Washburn
Chief Juvenile Probation Officer	Ms. Laura Peace

Officials of Kaufman County:

County Court-at-law Judge	Ms. Tracy Gray
County Court-at-law Judge #2	Mr. Bobby Rich
County Clerk	Ms. Laura Hughes
County Sheriff	Mr. Bryan Beavers
County Tax Assessor-Collector	Ms. Brenda Samples
County Treasurer	Mr. Chuck Mohnkern
County Veterans Service Officer	Mr. Robert Hunter
County Health Officer	Dr. William J. Fortner
Indigent Health Care Officer	Ms. Desiree Pool
Public Works Coordinator	Ms. Monique Hunter
Emergency Management Coordinator	Mr. Steve Howie
Fire Marshall	Mr. Randy Richards
Purchasing Agent	Ms. Raylan Smith

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable County Judge and
Members of the Commissioners Court
Kaufman, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman County, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Kaufman County, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Kaufman County, Texas' 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 include the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman County, Texas as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2018 Kaufman County, Texas adopted new accounting guidance, Governmental Accounting Standards (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as presented 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 of the financial statements that collectively comprise Kaufman County, 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 combining and individual non-major fund financial statements and schedules 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 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 19, 2019, on our considerations of Kaufman County, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Kaufman County, Texas' internal control over financial reporting and compliance.

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

Waco, Texas
June 19, 2019

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a narrative overview and analysis of the financial activities of Kaufman County (the "County") for the fiscal year ended September 30, 2018. This analysis is designed to focus on current activities, resulting changes and currently known facts. Please consider the information presented here, in conjunction with the financial statements and related footnotes.

FINANCIAL HIGHLIGHTS

- The liabilities and deferred inflows of resources of the County exceeded its assets and deferred outflows of resources at the close of the year by \$10,789,365 (net position). The balance of unrestricted net position at year end was \$(37,524,252).
- Total net position decreased by \$3,891,664 due to operations. In addition, beginning net position was decreased by \$4,138,866 caused by the implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Other Postemployment Benefits*.
- As of the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$33,068,392, a decrease of \$5,062,334 from the previous year.
- The unassigned fund balance in the General Fund of \$5,761,225 is available for spending at the County's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government, public safety and highways and streets.

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 purposes or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the County's funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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, General Road and Bridge Fund and the Construction Projects Fund, all of which are considered major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The County adopts annual appropriated budgets for its General, General Road and Bridge, and Debt Service Funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with those budgets.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to 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.

Required supplementary information. Required supplementary information is in addition to the basic financial statements and accompanying notes and presents budgetary comparison schedules, which includes the original and final amended budget and actual figures, schedule of changes in net pension liability and related ratios, schedule of employer contributions to the Texas County and District Retirement System, and a funding progress schedule for the County's retiree health plan.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of Kaufman County, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$10,789,365 as of September 30, 2018.

The County's investment in capital assets (e.g., land, infrastructure, machinery and equipment and furniture and fixtures), less its related debt is a large portion of net position. These assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in 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.

Capital assets increased \$2,025,279 (net) while current and other assets decreased \$7,050,015. Cash and investment balances decreased \$7,394,137. Long-term liabilities increased from the prior year by \$382,057. The predominant reason for the change in liabilities is the issuance of capital lease obligations, the increase of the total OPEB liability of \$4,864,219, and the payment of current year debt service obligations.

Governmental activities. Governmental activities decreased the County's net position by \$3,891,664. The decrease from the prior year is primarily due to an increase of \$9 million in expenditures.

Table – 1
Kaufman County, Texas’ Net Position

	Governmental Activities	
	2018	2017
ASSETS		
Current and other assets	\$ 49,023,924	\$ 56,073,939
Capital assets	<u>27,636,453</u>	<u>25,611,174</u>
Total assets	<u>76,660,377</u>	<u>81,685,113</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	137,197	171,495
Deferred outflow of resources related to pensions and OPEBs	<u>3,744,248</u>	<u>6,925,680</u>
Total deferred outflows of resources	<u>3,881,445</u>	<u>7,097,175</u>
LIABILITIES		
Long-term liabilities	85,446,800	85,064,743
Other liabilities	<u>3,745,089</u>	<u>5,613,588</u>
Total liabilities	<u>89,191,889</u>	<u>90,678,331</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions and OPEBs	<u>2,139,298</u>	<u>862,792</u>
Total deferred outflows of resources	<u>2,139,298</u>	<u>862,792</u>
NET POSITION		
Net investment in capital assets	20,188,663	13,192,825
Restricted	6,546,224	6,739,210
Unrestricted	<u>(37,524,252)</u>	<u>(22,690,870)</u>
Total net position	<u>\$(10,789,365)</u>	<u>\$(2,758,835)</u>

Table – 2
Kaufman County, Texas’ Changes in Net Position

	Governmental Activities	
	2018	2017
REVENUES		
General revenues:		
Property taxes	\$ 47,514,316	\$ 41,982,571
Charges for services	11,470,845	10,747,943
Grants and contributions	2,531,981	3,144,371
Investment income	643,877	416,491
Miscellaneous	541,879	435,494
Gain on disposal of capital assets	984,011	526,450
Total revenues	<u>63,686,909</u>	<u>57,253,320</u>
EXPENSES		
General government	17,904,076	14,633,856
Public safety and corrections	20,910,159	18,244,440
Judicial	6,867,437	6,859,111
Community service	414,094	516,788
Infrastructure and environmental services	18,620,242	15,392,376
Health and human services	488,160	440,317
Interest and fiscal charges	2,374,405	2,432,696
Total expenses	<u>67,578,573</u>	<u>58,519,584</u>
CHANGE IN NET POSITION	<u>(3,891,664)</u>	<u>(1,266,264)</u>
NET POSITION, BEGINNING	<u>(2,758,835)</u>	<u>(1,492,571)</u>
PRIOR PERIOD ADJUSTMENT	<u>(4,138,866)</u>	<u>-</u>
NET POSITION, BEGINNING, RESTATED	<u>(6,897,701)</u>	<u>(1,492,571)</u>
NET POSITION, ENDING	<u><u>\$(10,789,365)</u></u>	<u><u>\$(2,758,835)</u></u>

FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

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

The General Fund is the chief operating fund of Kaufman County. At the end of the year, unassigned total fund balance of the General Fund was \$5,761,225. As a measure of the General Fund’s liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned total fund balance represents 14% of total General Fund expenditures.

The fund balance of the General Fund increased by \$964,396 during the fiscal year. Revenues exceeded expenditures for the year by \$1,558,750.

The General Road and Bridge Fund had an ending fund balance of \$4,304,773. This fund includes the General Road and Bridge Fund as well as the four individual precinct road and bridge funds. Fund balance increased in this fund by \$87,382. This increase was due to expenditures exceeding total revenues by \$2,963,364, issuance of capital leases of \$1,633,667, and sale of capital assets of \$1,138,406.

The Construction Projects Fund had an ending fund balance of \$20,672,520 which is a decrease of \$5,896,663. The County spent \$6,027,406 in this fund during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

County departments are actively involved in fee-producing activities and collecting outstanding account receivables. Continuous monitoring of departmental expenditures, implementation of a new purchasing policy and conversion to new financial software has aided in controlling expenditures.

- Due to the County’s lower than desired fund balance at the end of FY 2013, efforts to control funds were implemented. The County has remained under budgeted expenditures through close adherence to the adopted budget and to County-wide financial policies.
- 101.8% of budgeted Revenues were collected, and 98.6% of budgeted Expenditures were spent.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Kaufman County’s investment in capital assets for its governmental activities as of fiscal year-end was \$27,636,453 (net of accumulated depreciation), an increase of \$2,025,279 from the prior year. The increase primarily resulted from the purchase of significant machinery and equipment. The investment in capital assets includes land, buildings, improvements, infrastructure, machinery and equipment, roads, bridges and office furniture and equipment.

**Table 3
Kaufman County, Texas’ Capital Assets**

	Governmental Activities	
	2018	2017
Land	\$ 2,371,395	\$ 2,031,395
Public monuments	712,736	712,736
Buildings and improvements	30,765,605	30,350,056
Infrastructure	11,740,765	11,740,765
Machinery and equipment	22,146,404	18,768,697
	67,736,905	63,603,649
Less: accumulated depreciation	(40,100,452)	(37,992,475)
Total capital assets, net	\$ 27,636,453	\$ 25,611,174

Long-term Debt. At the end of the fiscal year, the County had total debt outstanding of \$71,075,609, which is a decrease of \$487,497 from the prior year.

**Table 4
Kaufman County, Texas' Outstanding Debt**

	Governmental Activities	
	2018	2017
General obligation refunding bonds	\$ 6,540,000	\$ 8,040,000
Unlimited tax road bonds	52,808,850	52,808,850
Accreted interest	233,591	177,641
Bond premiums	3,978,059	4,230,355
Tax Note	25,000	55,000
Loans Payable	3,463,957	3,846,318
Compensated absences	1,718,822	1,384,060
Capital leases	<u>2,307,330</u>	<u>1,020,882</u>
 Total Outstanding Debt	 <u>\$ 71,075,609</u>	 <u>\$ 71,563,106</u>

State statutes limit the amount of general obligation debt that a county may issue to 5% of its total assessed valuation. The current debt limit for Kaufman County is \$353,885,214 which is significantly in excess of the County's outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The following economic factors currently affect the County of Kaufman, Texas, and were considered in developing the 2018-2019 fiscal year budgets:

- As of September 2018, the unemployment rate for Kaufman County was 3.4%, which was an increase from a rate of 3.2% in September 2017.
- The Kaufman County population is currently estimated to be 122,883, which is an 18.3% increase from the 2010 census. This information was compiled by the Texas Association of Counties.
- In 2014, Kaufman County voters approved a \$56 million bond issue, all of which was fully issued by September 2017. These bonds continue to be used to improve the road infrastructure with interconnecting roads throughout the County and the metropolitan Dallas/Fort Worth areas.
- Beginning in 2018, Kaufman County began receiving Pass-Through Toll revenue as a result of partnering with entities such as Texas Department of Transportation on specific Road Bond projects. These additional revenues are being used on county roads.
- Property values continue to reflect increases, which is a recent trend in Kaufman County. Additionally, residential and industrial developments are on the rise county wide, further increasing taxable assessed values for the county.

- Interest rates have continued to increase slightly, allowing Kaufman County to take advantage of additional investment revenues.
- Kaufman County's 2014 contract for the housing of Federal Inmates at the County's Law Enforcement Center continues to generate additional revenues. The Sheriff's department anticipates the contract being extended beyond the original five-year contract agreement.
- Increases in health and insurance premiums expenditures are expected, as well as pension and other employee benefit costs.
- Kaufman County repaired and renovated the Commissioners' Court meeting room in 2018.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Kaufman County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor's office, 100 N. Washington, Kaufman, Texas 75142.

**BASIC
FINANCIAL STATEMENTS**

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KAUFMAN COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 35,426,581
Taxes receivable, net of allowance for uncollectibles	1,983,009
Accounts receivable	2,081,402
Due from other governments	9,504,207
Prepaid expenses	28,725
Capital assets:	
Nondepreciable	3,084,131
Depreciable, net	<u>24,552,322</u>
Total assets	<u>76,660,377</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	137,197
Deferred outflow of resources related to pensions	2,914,234
Deferred outflow of resources related to OPEB - GTL	60,446
Deferred outflow of resources related to OPEB - retiree health plan	<u>769,568</u>
Total deferred outflows of resources	<u>3,881,445</u>
LIABILITIES	
Accounts payable	1,643,085
Accrued liabilities	1,421,202
Due to other governments	345,884
Unearned revenue	5,701
Accrued interest	329,217
Long-term liabilities:	
Due within one year	
Long-term debt	3,151,835
Total OPEB liability - GTL	25,671
Total OPEB liability - retiree health plan	365,587
Due in more than one year	
Long-term debt	67,923,774
Net pension liability	1,845,864
Total OPEB liability - GTL	1,009,300
Total OPEB liability - retiree health plan	<u>11,124,769</u>
Total liabilities	<u>89,191,889</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	2,119,097
Deferred inflows of resources related to OPEB - GTL	<u>20,201</u>
Total deferred outflows of resources	<u>2,139,298</u>
NET POSITION	
Net investment in capital assets	20,188,663
Restricted:	
Road and bridge projects	4,556,840
Public safety	177,411
Judicial	392,613
Fire code enforcement	196,283
Historical preservation	42,372
Records management and preservation	516,962
Court technology and security	451,312
Debt service	174,173
Other purposes	38,258
Unrestricted	<u>(37,524,252)</u>
Total net position	<u>\$ (10,789,365)</u>

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

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KAUFMAN COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 17,904,076	\$ 5,422,970	\$ 388,146	\$ 33,114	\$(12,059,846)
Public safety and corrections	20,910,159	672,816	1,016,003	66,757	(19,154,583)
Judicial	6,867,437	4,486,305	261,383	-	(2,119,749)
Community services	414,094	-	49,648	-	(364,446)
Infrastructure and environmental	18,620,242	888,754	66,517	650,413	(17,014,558)
Health and human services	488,160	-	-	-	(488,160)
Interest and fiscal charges	2,374,405	-	-	-	(2,374,405)
Total governmental activities	<u>67,578,573</u>	<u>11,470,845</u>	<u>1,781,697</u>	<u>750,284</u>	<u>(53,575,747)</u>
Total primary government	<u>\$ 67,578,573</u>	<u>\$ 11,470,845</u>	<u>\$ 1,781,697</u>	<u>\$ 750,284</u>	<u>(53,575,747)</u>
General revenues:					
					47,514,316
					643,877
					984,011
					<u>541,879</u>
					49,684,083
					(3,891,664)
					(2,758,835)
					<u>(4,138,866)</u>
					<u>(6,897,701)</u>
					<u>\$(10,789,365)</u>

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

KAUFMAN COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	<u>General</u>	<u>General Road and Bridge</u>	<u>Construction Projects</u>
ASSETS			
Cash and cash equivalents	\$ 7,422,411	\$ 5,006,886	\$ 20,802,410
Receivables:			
Taxes	1,547,729	274,451	-
Accounts	2,079,005	2,397	-
Due from other governments	415,553	8,991,462	-
Due from other funds	1,203	-	-
Prepaid items	<u>28,265</u>	<u>385</u>	<u>-</u>
Total assets	<u>11,494,166</u>	<u>14,275,581</u>	<u>20,802,410</u>
LIABILITIES			
Accounts payable	709,010	703,105	129,890
Accrued liabilities	1,268,942	122,710	-
Due to other governments	345,884	-	-
Due to other funds	3,072	-	-
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,326,908</u>	<u>825,815</u>	<u>129,890</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>3,247,341</u>	<u>9,144,993</u>	<u>-</u>
Total deferred inflows of resources	<u>3,247,341</u>	<u>9,144,993</u>	<u>-</u>
FUND BALANCES			
Nonspendable			
Prepaid items	28,265	-	-
Restricted			
Road and bridge projects	-	4,304,773	20,672,520
Public safety	-	-	-
Judicial	-	-	-
Fire code enforcement	-	-	-
Historical preservation	-	-	-
Records management and preservation	-	-	-
Court technology and security	-	-	-
Debt service	-	-	-
Other purposes	-	-	-
Assigned			
Subsequent year's budget	130,427	-	-
Unassigned	<u>5,761,225</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>5,919,917</u>	<u>4,304,773</u>	<u>20,672,520</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 11,494,166</u>	<u>\$ 14,275,581</u>	<u>\$ 20,802,410</u>

<u>Other Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ 2,194,874	\$ 35,426,581
160,829	1,983,009
-	2,081,402
97,192	9,504,207
3,072	4,275
75	28,725
2,456,042	49,028,199
101,080	1,643,085
29,550	1,421,202
-	345,884
1,203	4,275
5,701	5,701
137,534	3,420,147
147,326	12,539,660
147,326	12,539,660
75	28,340
-	24,977,293
177,411	177,411
392,613	392,613
196,283	196,283
42,372	42,372
516,962	516,962
451,312	451,312
356,064	356,064
38,258	38,258
-	130,427
(168)	5,761,057
2,171,182	33,068,392
\$ 2,456,042	\$ 49,028,199

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KAUFMAN COUNTY, TEXAS

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

SEPTEMBER 30, 2018

Fund balances - governmental funds	\$ 33,068,392
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds:	
Governmental capital assets	67,736,905
Less: accumulated depreciation	(40,100,452)
Some of the County's revenues will be collected after year-end, but are not available soon enough to pay current year's expenditures and therefore are not reported in the governmental funds.	
Property taxes	1,790,220
Court fines	1,856,514
Interlocal agreements	8,892,926
Certain long-term liabilities reported in governmental activities do not require current financial resources and therefore are not reported in the governmental funds balance sheet.	
Total OPEB obligation - GTL	(1,034,971)
Total OPEB obligation - retiree health plan	(11,490,356)
Net pension liability	(1,845,864)
Compensated absences	(1,718,822)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
	(69,356,787)
Certain deferred inflows and deferred outflows of resources are only reported in the government-wide financial statements:	
Deferred outflows of resources:	
Related to pensions	2,914,234
Deferred loss on bond refunding	137,197
Related to OPEB - GTL	60,446
Related to OPEB - retiree health plan	769,568
Deferred inflows of resources:	
Related to pensions	(2,119,097)
Related to OPEB - GTL	(20,201)
Interest payable used in the County's governmental activities are not payable from current resources and therefore are not reported in the governmental funds.	
	(329,217)
Net position of governmental activities	<u>\$(10,789,365)</u>

KAUFMAN COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General	General Road and Bridge	Construction Projects
REVENUES			
Property taxes	\$ 34,819,274	\$ 7,833,266	\$ -
Mixed beverage taxes	162,002	-	-
License and permits	89,048	-	-
Fees of office	4,024,608	2,520,203	-
Charges for services	578,705	497,245	-
Forfeitures	-	-	-
Intergovernmental	3,635,328	329,828	5,403
Investment income	199,137	30,675	404,013
Miscellaneous	483,665	24,530	-
Total revenues	<u>43,991,767</u>	<u>11,235,747</u>	<u>409,416</u>
EXPENDITURES			
General government	15,589,928	-	-
Public safety and corrections	17,507,945	-	-
Judicial	6,241,750	-	-
Community services	402,465	-	-
Infrastructure and environmental	460,332	10,422,558	6,027,406
Health and human service	470,463	-	-
Capital outlay	1,741,837	3,393,950	-
Debt service:			
Principal	16,135	347,219	-
Interest and fiscal charges	2,162	35,384	-
Total expenditures	<u>42,433,017</u>	<u>14,199,111</u>	<u>6,027,406</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,558,750</u>	<u>(2,963,364)</u>	<u>(5,617,990)</u>
OTHER FINANCING SOURCES (USES)			
Issuance of long term debt	732,264	-	-
Sale of capital assets	-	1,138,406	-
Insurance recoveries	57,647	-	-
Transfers in	25,544	278,673	-
Transfers out	(1,409,809)	-	(278,673)
Issuance of capital lease	-	1,633,667	-
Total other financing sources (uses)	<u>(594,354)</u>	<u>3,050,746</u>	<u>(278,673)</u>
NET CHANGE IN FUND BALANCES	964,396	87,382	(5,896,663)
FUND BALANCES, BEGINNING	<u>4,955,521</u>	<u>4,217,391</u>	<u>26,569,183</u>
FUND BALANCES, ENDING	<u>\$ 5,919,917</u>	<u>\$ 4,304,773</u>	<u>\$ 20,672,520</u>

Other Nonmajor Governmental	Total Governmental Funds
\$ 4,541,795	\$ 47,194,335
-	162,002
92,080	181,128
954,416	7,499,227
-	1,075,950
106,436	106,436
951,698	4,922,257
10,052	643,877
33,684	541,879
<u>6,690,161</u>	<u>62,327,091</u>
1,203,687	16,793,615
1,348,030	18,855,975
270,765	6,512,515
-	402,465
271,268	17,181,564
-	470,463
50,723	5,186,510
2,628,490	2,991,844
<u>2,518,912</u>	<u>2,556,458</u>
<u>8,291,875</u>	<u>70,951,409</u>
(1,601,714)	(8,624,318)
-	732,264
-	1,138,406
-	57,647
1,424,559	1,728,776
(40,294)	(1,728,776)
-	1,633,667
<u>1,384,265</u>	<u>3,561,984</u>
(217,449)	(5,062,334)
<u>2,388,631</u>	<u>38,130,726</u>
<u>\$ 2,171,182</u>	<u>\$ 33,068,392</u>

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KAUFMAN 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, 2018

Net change in fund balances - total governmental funds: \$(5,062,334)

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

Governmental funds report capital outlays as expenditures. However, in the governmental activities statement of activities, the cost and accumulated depreciation of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Expenditures for capital assets	5,310,911
Less: current year depreciation	(3,073,590)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(212,042)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	157,979
Court fines	135,400
Interlocal agreements	(197,586)
Grant revenue	(234,980)

The issuance of long-term debt (e.g., certificates of obligation, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt is an expenditure in the governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Repayment of long-term liabilities	2,991,844
Issuance of long-term debt	(2,365,931)
Amortization of:	
Deferred loss on bond refunding	(34,298)
Premium on bond issuance	252,296

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accreted interest	(55,950)
Compensated absences	(334,762)
Total OPEB liability - GTL	(52,076)
Total OPEB liability - retiree health plan	(733,018)
Net pension liability	(403,532)

Interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	20,005
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Change in net position of governmental activities	\$(3,891,664)
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KAUFMAN COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2018

	Governmental Activities Agency Funds
ASSETS	
Current assets:	
Cash	\$ <u>5,946,746</u>
Total assets	<u>5,946,746</u>
LIABILITIES	
Due to others	<u>5,946,746</u>
Total liabilities	<u><u>\$ 5,946,746</u></u>

KAUFMAN COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Kaufman County was incorporated in 1849 as a public corporation and political subdivision of the State of Texas. The Commissioners' Court is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services, among others, as authorized by the statutes of the State of Texas: general administration (Commissioners' Court, County Judge and County Clerk); judicial (Courts, District Clerk and Juries); legal (prosecutors, investigators and outside counsel); financial administration (County Auditor, Treasurer and Tax Assessor-Collector); public safety (Sheriff and other law enforcement officials); roads and bridges; assistance to indigent residents; and County libraries. The financial statements of Kaufman County have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units.

A. Reporting Entity

In determining the financial reporting entity, Kaufman County, Texas complies with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, "*The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34.*" Under this standard, the County has no component units which are required to be reported, discretely or blended, in combination with the primary government.

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 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 or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns 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 basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major governmental funds reported by the County are:

General Fund – The General Fund is the operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, fees, fines and forfeitures, intergovernmental revenue, and income derived from investment of available funds. Primary expenditures are for administrative, judicial and legal services and public safety.

General Road and Bridge Fund – The General Road and Bridge Fund accounts for resources used in the construction and maintenance of County roads and bridges. This fund also finances the activities of the County’s four road and bridge precinct funds.

Construction Projects Fund – The Construction Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities and for road construction projects belonging to other entities within the County.

Nonmajor funds include Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

Fiduciary fund level financial statements include fiduciary funds which are classified into private purpose trust and agency funds. The County has only agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

D. Assets, Liabilities, and Net Position or Equity

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Under Texas law, appropriations lapse September 30, and encumbrances at that time are to be either canceled or appropriately provided for in the subsequent year’s budget.

Cash and Investments

Cash and cash equivalents include amounts in demand deposits as well as short-term investments. From time to time, the County invests its available funds in time deposits and other short-term, interest-bearing securities. Time deposits and securities having a maturity date of three months or less from the date of issuance are classified as cash equivalents, while those with a maturity of more than three months are classified as investments. Investments for the County are reported at fair value, except for the position in investment pools.

Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid expenses on the government-wide financial statements and fund financial statements. The fund financial statements are offset by nonspendable fund balance which indicates they do not represent “available spendable resources.”

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than an adopted threshold and an estimated useful life in excess of one year. The thresholds adopted by the Commissioners’ Court are as follows:

Land and land improvements	Capitalize all
Infrastructure	\$ 100,000
Buildings and building improvements	50,000
Furniture and equipment	5,000
Monuments	Capitalize all

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

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

Buildings and building improvements	10 - 30 years
Furniture and equipment	3 - 15 years
Vehicles	5 - 10 years
Infrastructure	20 - 50 years

Items Capitalized but not Depreciated

The County possesses certain capital assets that have been capitalized and not depreciated. These items are held for public exhibition and education rather than financial gain. They are also protected, kept unencumbered, cared for and preserved. Therefore, these items meet the criteria to be capitalized. These monuments and historical structures are deemed inexhaustible and are therefore not depreciated.

Compensated Absences

The County's permanent, fulltime employees with less than 8 years of service accrue 6.67 hours of vacation per month; those with 8 – 19 years of service accrue 10 hours per month; and those with service of 20 years or greater accrue 13.33 hours per month.

The County's permanent, fulltime employees accrue sick leave at the rate of 8 hours per month to a maximum 120 hours (90 days). Sick leave is paid to current employees if the employees are absent from work due to illness, injury or other situations requiring medical attention. An employee who leaves the County's employment for any reason other than retirement receives no compensation for accrued sick leave. Retiring employees who have at least 20 years of service are entitled to payment for up to 30 days of accrued sick leave, and the accrual is included in the government-wide financial statements.

Long-term Obligations

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

TCDRS Group Term Life Fund. The County participates in the Texas County & District Group Term Life Fund (TCDRS GTLF), which is an optional single-employer defined benefit life insurance plan that is administered by TCDRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating entity as a percentage of that County's covered payroll. The death benefit for retirees is considered an other postemployment benefit (OPEB). The OPEB program is an unfunded trust because the GTLF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

Retiree Health Insurance. For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the County for benefits due and payable that are not reimbursed by plan assets. Information regarding the County's total OPEB liability is obtained from a report prepared by a consulting actuary.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. The County levies taxes on or before the following September 30. They are due on October 1 and are delinquent after January 31.

Collections of property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor-Collector's Agency Fund. Tax collections made for the County are distributed to the General, Road and Bridge General Funds, and Debt Service Fund on a periodic basis throughout each month. This distribution is based upon the tax rate established for each fund by order of the Commissioners' Court for the tax year for which the collections are made.

The combined tax rate for the year ended September 30, 2018, was \$.5887 per \$100 and was allocated as follows:

General Fund	\$ 0.4322
Debt Service Fund	0.1000
General Road and Bridge Fund	<u>0.0565</u>
 Total	 <u>\$ 0.5887</u>

Deferred Outflows/Inflows of Resources

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

- Deferred losses on debt refundings in the government-wide Statement of Net Position results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension and OPEB contributions after the measurement date are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions are deferred and recognized over the average remaining service lives of all members determined as of the measurement date.
- In the statement of net position, the difference in expected and actual pension and OPEB experience is deferred and recognized over the average remaining service lives of all members determined as of the measurement date.

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

- Under the modified accrual basis of accounting, unavailable revenue is reported in the governmental funds balance sheet as a deferred inflow of resources.
- In the statement of net position, the difference in expected and actual pension and OPEB experience is deferred and recognized over the average remaining service lives of all members determined as of the measurement date.
- In the statement of net position, the difference in projected and actual earnings on pension assets is deferred and amortized over a closed five-year period.

Deferred inflows of resources reported in the governmental funds for unavailable revenues are as follows:

	General	General Road and Bridge	Nonmajor Governmental	Total
Property taxes	\$ 1,390,827	\$ 252,067	\$ 147,326	\$ 1,790,220
Court fines and fees receivable	1,856,514	-	-	1,856,514
Interlocal agreements	-	8,892,926	-	8,892,926
Total	<u>\$ 3,247,341</u>	<u>\$ 9,144,993</u>	<u>\$ 147,326</u>	<u>\$ 12,539,660</u>

Fund Balance Classification

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance 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 funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent is determined by the County Judge, with the assistance of the County Auditor and County Attorney, as needed.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted net position, as presented in the government-wide statement of net position, are reported when constraints placed on the use of net position are either 1) externally imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments), or 2) imposed by law through constitutional provisions or enabling legislation.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

At September 30, 2018, the SCAAP Grant fund had deficit fund balance of \$168. These deficits occurred because of availability of grant funding or from expenditures exceeding available resources. This deficit will either be resolved in the subsequent year by funding becoming available to the County or by a transfer from the General Fund.

III. DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

The cash and investment policies of the County are governed by state statutes, Section 116.112 of the Local Government Code and Government Code Chapter 2256, Subchapters A and B. The County's policies governing bank deposits require depositories to be FDIC insured institutions and to fully collateralize all deposits in excess of FDIC insured limits.

Cash

All demand and time deposits were entirely covered by FDIC insurance or by collateral held by the County's agent in the County's name. The fair market value for cash is not materially different from reported amounts.

Investments

Legal provisions generally permit the County to invest in certificates of deposit, fully collateralized repurchase agreements, public funds, investment pools, obligations of the United States of America or its agencies, direct obligations of the State of Texas or its agencies, commercial paper, and other obligations which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, and obligations of states, agencies, countries, cities and other political subdivisions having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the government's name.

During the year ended September 30, 2018, all of the County's investments were invested with the State of Texas Local Government Investment Pool (TexPool), which is a public funds investment pool created by the Treasurer of the State of Texas. TexPool acts as custodian of investments purchased with local investment funds. TexPool acts as custodian of investments purchased with local investment funds. TexPool investments are stated at amortized cost, which in most cases approximates the market value of the shares.

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
TexPool Prime	\$ <u>24,020,786</u>	37	AAAm
Portfolio weighted average maturity	\$ <u>24,020,786</u>	37	

Credit Risk – Credit risk is the risk that an issuer or other counterpart to an investment will not fulfill its obligations. The County has limited credit risk in conformance to state statutes and County ordinance, by investing in only the safest types of securities as permitted by the Public Funds Investment Act, using approved brokers and with different investment pools.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the investment.

Concentration of Credit Risk – Custodial of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer.

Custodial Credit Risk – Custodial credit risk is the risk for deposits that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The County requires all bank deposits to be collateralized at a level not less than 100% of the total uninsured deposits. At September 30, 2018, the County is fully collateralized.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The County’s investment policy does not permit securities listed in foreign denominations. Consequently, the County is not exposed to foreign currency risk.

B. Receivables

Receivables as of year-end for the County, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>General Road and Bridge</u>	<u>Other Governmental</u>	<u>Total</u>
Receivables:				
Taxes	\$ 1,715,177	\$ 304,946	\$ 178,699	\$ 2,198,822
Accounts	222,491	2,397	-	224,888
Adjudicated fine receivable	18,565,143	-	-	18,565,143
Due from other governments	<u>415,553</u>	<u>8,991,462</u>	<u>97,192</u>	<u>9,504,207</u>
Gross receivables	20,918,364	9,298,805	275,891	30,493,060
Less: allowance for uncollectibles	<u>(16,876,077)</u>	<u>(30,495)</u>	<u>(17,870)</u>	<u>(16,924,442)</u>
Net total receivables	<u>\$ 4,042,287</u>	<u>\$ 9,268,310</u>	<u>\$ 258,021</u>	<u>\$ 13,568,618</u>

C. Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 1,203
Nonmajor governmental	General	<u>3,072</u>
Total		<u>\$ 4,275</u>

The outstanding balances between funds result mainly from the time lag between the dates that expenditures are made and cash is received from granting agencies.

D. Capital Assets

Capital asset activity for the year ended September 30, 2018, is as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,031,395	\$ 340,000	\$ -	\$ 2,371,395
Construction in progress	-	-	-	-
Public monuments	712,736	-	-	712,736
Total assets not being depreciated	<u>2,744,131</u>	<u>340,000</u>	<u>-</u>	<u>3,084,131</u>
Capital assets, being depreciated:				
Buildings	30,350,056	415,548	-	30,765,604
Infrastructure	11,740,765	-	-	11,740,765
Machinery and equipment	18,768,697	4,555,362	(1,177,655)	22,146,404
Total capital assets being depreciated	<u>60,859,518</u>	<u>4,970,910</u>	<u>(1,177,655)</u>	<u>64,652,773</u>
Less accumulated depreciation:				
Buildings	(15,027,151)	(951,890)	-	(15,979,041)
Infrastructure	(10,527,234)	(262,384)	-	(10,789,618)
Machinery and equipment	(12,438,090)	(1,859,315)	965,613	(13,331,792)
Total accumulated depreciation	<u>(37,992,475)</u>	<u>(3,073,589)</u>	<u>965,613</u>	<u>(40,100,451)</u>
Total capital assets being depreciated, net	<u>22,867,043</u>	<u>1,897,321</u>	<u>(212,042)</u>	<u>24,552,322</u>
Governmental activities capital assets, net	<u>\$ 25,611,174</u>	<u>\$ 2,237,321</u>	<u>\$ (212,042)</u>	<u>\$ 27,636,453</u>

Depreciation expense for the year totaled \$3,073,589 and was charged to functions of the government-wide statement of activities as follows:

General government	\$ 305,473
Judicial	75,685
Public safety and corrections	1,402,510
Infrastructure and environmental	1,273,635
Health and human services	14,398
Community services	<u>1,888</u>
Total depreciation expense	<u>\$ 3,073,589</u>

E. Operating Leases

The County is committed under various noncancelable operating leases for equipment. For the year ended September 30, 2018, lease expenditures totaled \$1,354,872. These expenditures were offset by guaranteed buy-back provisions set forth in the original lease agreements in the amount of \$1,033,850 that was received by the County during the fiscal year. The net cost to the County for these operating leases for the year-ended September 30, 2018 was \$321,022.

F. Capital Leases

The County is a party in several lease agreements for equipment and vehicles. The terms of the agreements provide an option to purchase the equipment during or at the end of the lease term.

The assets acquired through capital leases are as follows:

Asset:		
Machinery and equipment	\$	2,790,403
Less: accumulated depreciation	(<u>476,818</u>)
Total	\$	<u><u>2,313,585</u></u>

The depreciation expense related to these leases for the year ended September 30, 2018, was \$400,263.

The following is a schedule of the future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments at September 30, 2018:

<u>Years Ending</u> <u>September 30,</u>		
2019	\$	647,258
2020		636,871
2021		486,206
2022		408,603
2023		<u>286,649</u>
Total minimum lease payments		2,465,587
Less: amount representing interest	(<u>158,257</u>)
Present value of minimum lease payments	\$	<u><u>2,307,330</u></u>

G. Long-term Debt

During the year ended September 30, 2018, the following changes occurred in a long-term debt:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
General obligation refunding bonds	\$ 8,040,000	\$ -	\$(1,500,000)	\$ 6,540,000	\$ 1,550,000
Unlimited tax road bonds	52,808,850	-	-	52,808,850	90,000
Tax note	55,000	-	(30,000)	25,000	25,000
Loans payable	3,846,318	732,264	(1,114,626)	3,463,956	649,429
Bond premiums	4,230,355	-	(252,296)	3,978,059	-
Accreted interest on bonds	177,641	55,950	-	233,591	-
Compensated absences	1,384,060	1,964,072	(1,629,309)	1,718,823	257,823
Capital leases	<u>1,020,882</u>	<u>1,633,666</u>	<u>(347,218)</u>	<u>2,307,330</u>	<u>579,583</u>
Total governmental activities	<u>\$ 71,563,106</u>	<u>\$ 4,385,952</u>	<u>\$(4,873,449)</u>	<u>\$ 71,075,609</u>	<u>\$ 3,151,835</u>

On June 28, 2012, the County issued \$13,585,000 of general obligation refunding bonds in order to refund previously issued debt. The annual requirements for the general obligation bonds outstanding at September 30, 2018, are as follows:

General Obligation Bonds

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 1,550,000	\$ 172,950	\$ 1,722,950
2020	1,605,000	125,625	1,730,625
2021	1,665,000	76,575	1,741,575
2022	<u>1,720,000</u>	<u>25,800</u>	<u>1,745,800</u>
Total	<u>\$ 6,540,000</u>	<u>\$ 400,950</u>	<u>\$ 6,940,950</u>

On February 1, 2014, the County issued Unlimited Tax Road Bonds, Series 2014. These bonds were issued to fund the construction, maintenance, and operation of macadamized, graveled, or paved roads and turnpikes, or in aid thereof, including the participation in the cost of joint state highway and joint city projects throughout the County.

On September 1, 2016, the County issued Unlimited Tax Road Bonds, Series 2016. These bonds were issued to fund the construction, maintenance, and operation of macadamized, graveled or paved roads and turnpikes, or in aid thereof, including the participation in the cost of joint state highway and joint city projects throughout the County. The annual requirements for all unlimited tax road bonds outstanding at September 30, 2018, are as follows:

Unlimited Tax Road Bonds

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 381,560	\$ 2,217,325	\$ 2,598,885
2020	695,008	2,210,075	2,905,083
2021	792,160	2,196,425	2,988,585
2022	909,370	2,180,675	3,090,045
2023	2,231,902	2,675,325	4,907,227
2024-2028	16,290,000	8,958,275	25,248,275
2029-2033	20,245,000	4,778,913	25,023,913
2034-2038	<u>11,775,000</u>	<u>982,100</u>	<u>12,757,100</u>
Subtotal	53,320,000	<u>\$ 26,199,113</u>	<u>\$ 79,519,113</u>
Less: interest accretion on bonds	<u>(511,150)</u>		
Total	<u>\$ 52,808,850</u>		

In December 2013, the County issued Tax Notes, Series 2013. These tax notes were issued to fund construction, design, and furniture and equipment purchases for the regional 9-1-1 call center. The annual requirements for the Tax Note outstanding at September 30, 2018, are as follows:

Tax Note

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ <u>25,000</u>	\$ <u>200</u>	\$ <u>25,200</u>
Total	<u>\$ 25,000</u>	<u>\$ 200</u>	<u>\$ 25,200</u>

On March 9, 2015, the County entered into a Texas Public Property Finance Contractual Obligation, Series 2015 with American National Bank of Texas, whereby the County borrowed \$3,670,000 at an interest rate of 2.25% to fund the purchase of paying contractual obligations to be incurred for the acquisition of personal property for the equipping of the County's 9-1-1 – Emergency Operations Center. Final maturity of the loan is February 15, 2027.

Additional loans were issued in FY 2016 for the purchase of vehicles and equipment. Interest rates on these loans range from 2.0-3.2%. A loan for the purchase of voting equipment was issued in the FY 2018 with an interest rate of 0.99%. The annual requirements to amortize the loans payable at September 30, 2018, are as follows:

Loans Payable

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 649,429	\$ 68,005	\$ 717,434
2020	660,022	55,831	715,853
2021	675,727	43,376	719,103
2022	419,310	30,639	449,949
2023	429,468	20,666	450,134
2024-2025	<u>630,000</u>	<u>13,950</u>	<u>643,950</u>
Total	<u>\$ 3,463,956</u>	<u>\$ 232,467</u>	<u>\$ 3,696,423</u>

H. Contingent Liabilities

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grants. In the opinion of the County's management, disallowed costs, if any, would not have a material effect on the County's financial position or results of operations.

The County is involved in certain legal actions and claims arising in the ordinary course of its operations. Although the outcome of these legal actions is not presently determinable, in the opinion of the County's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

I. Interfund Transfers

Interfund transfers for the fiscal year ending September 30, 2018, are summarized below:

<u>Transfer out</u>	<u>Transfer in</u>	<u>Amounts</u>
General	Nonmajor governmental	\$ 1,409,809
Construction Projects	Road & Bridge	278,673
Nonmajor governmental	Nonmajor governmental	14,750
Nonmajor governmental	General	<u>25,544</u>
Total		<u>\$ 1,728,776</u>

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

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

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

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

Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. By law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefit terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	252
Inactive employees entitled to but not yet receiving benefits	344
Active employees	<u>536</u>
Total	<u><u>1,132</u></u>

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

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 9.21% and 9.42% in calendar years 2017 and 2018, respectively. The County’s contributions to TCDRS for the year ended September 30, 2018, were \$2,355,016, and were equal to the required contributions.

Net Pension Liability. The County’s Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Overall payroll growth	3.25% per year
Investment rate of return	8%, net of pension plan investment expense, including inflation

The County/District has no automatic cost-of-living adjustments (“COLA”) and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the County/District may elect an ad-hoc COLA for its retirees.

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

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014

Updated mortality assumptions were adopted in the actuarial valuation of December 31, 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2017, were based on the results of an actuarial experience study for the period January 1, 2013, through December 31, 2016.

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

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2018 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. The target allocation and best estimates of geometric real rates return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net)	11.00%	4.55%
International Equities - Emerging	MSCI EM Standard (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
High-Yield Bonds	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Opportunistic Credit	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

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

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2017 capital market assumptions.

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

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

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in 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 period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 77,130,725	\$ 70,420,642	\$ 6,710,083
Changes for the year:			
Service cost	3,238,234	-	3,238,234
Interest on total pension liability ⁽¹⁾	6,348,341	-	6,348,341
Effect of economic/demographic gains or losses	(779,039)	-	(779,039)
Effect of assumptions changes or inputs	328,681	-	328,681
Refund of contributions	(405,858)	(405,858)	-
Benefit payments	(3,662,089)	(3,662,089)	-
Administrative expenses	-	(53,437)	53,437
Member contributions	-	1,633,633	(1,633,633)
Net investment income	-	10,274,385	(10,274,385)
Employer contributions	-	2,149,400	(2,149,400)
Other ⁽³⁾	-	(3,545)	3,545
Balance at 12/31/2017	<u>\$ 82,198,995</u>	<u>\$ 80,353,131</u>	<u>\$ 1,845,864</u>

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

⁽²⁾ No plan changes valued.

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

Sensitivity Analysis

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

	Current		
	1% Decrease 7.1%	Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$ 93,679,844	\$ 82,198,995	\$ 72,693,120
Fiduciary net position	<u>80,353,132</u>	<u>80,353,131</u>	<u>80,353,132</u>
Net pension liability/(asset)	<u>\$ 13,326,712</u>	<u>\$ 1,845,864</u>	<u>\$ (7,660,012)</u>

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2018, the County recognized pension expense of \$2,758,546.

At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 585,034	\$ 1,177,965
Changes in actuarial assumptions	580,354	-
Net difference between projected and actual investment earnings	-	941,132
Contributions made subsequent to the measurement date	<u>1,748,846</u>	<u>-</u>
Total	<u>\$ 2,914,234</u>	<u>\$ 2,119,097</u>

\$1,748,846 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2019	\$ 439,117
2020	329,523
2021	(715,499)
2022	(1,006,850)

B. Other Postemployment Benefits – Retiree Health Plan

Program Description. In addition to the pension benefits described in Note IV A. as required by state law and defined by the County Policy, the County makes available health care benefits through the Texas Association of Counties Health and Employee Benefits Pool to all employees who retire from the County and who are receiving benefits from a County sponsored retirement program (TCDRS). The health care plan provides insurance to eligible retirees through the County’s group health insurance plan, which covers both active and retired members, until age 65 when retirees become eligible and are required to enroll in Medicare Part B, at which time coverage supplements Medicare.

Current retirees in the health plan and at retirement, active employees that meet the conditions for retirement from TCDRS (age 60 and above with 8 years or more of service, 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more) are eligible to remain in the health plan at the age graded and gender distinct contribution rate for active and retiree participants. The County will cease to pay or provide this benefit should the retiree go to work for another employer that offers health insurance benefits.

Benefits and Contributions. The County contributions to the Retiree Health Program consist of a pay-as-you-go monthly contribution rate of one-half (1/2) of the cost of health insurance per participant for those that retire with 8 to 19 years of service and 100% of the cost per participant for those that retire with 20 or more years of service. The County contributions to the plan for fiscal year 2018 were \$382,252. Current retirees with less than 20 years of service contribute to the Retiree Health Program with adjustments for age and gender. Monthly retiree contribution rate for fiscal year 2018 ranges from \$775 to \$1,520 for health insurance. Retirees and current employees with 8 to 19 years of service are financially responsible for one-half of the monthly premiums.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	29
Active members	<u>488</u>
Total	<u><u>517</u></u>

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	December 31, 2016
Actuarial Cost Method	Individual Entry Age
Inflation Rate	2.50%
Salary Increases	.50% to 5.00%, not including wage inflation of 3.25%
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2016 as conducted for the Texas County and District Retirement System (TCDRS)
Mortality	For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. Those rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014.
Health care cost trend rates	Initial rate of 7.50% declining to an ultimate rate of 5.25% after 11 years; Ultimate trend rate includes a 1.00% adjustment for the excise tax
Participation rates	95% for retirees receiving 100% of premium paid by the County; 65% for retirees receiving 50% of premium paid by the County; 10% for retirees receiving 0% of premium paid by the County
Discount rate	3.31% as of December 31, 2017

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

A Single Discount Rate of 3.31% was used to measure the total OPEB liability. This Single Discount Rate was based on the municipal bond rates as of the measurement date. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2017.

Changes in the Total OPEB Liability

The County’s total OPEB liability of \$11,490,356 was measured as of December 31, 2017 and was determined by an actuarial valuation as of December 31, 2016.

	<u>Total OPEB Liability</u>
Balance at 12/31/2016	\$ 10,257,822
Changes for the year:	
Service cost	657,472
Interest on the total liability	396,383
Difference between expected and actual experience	5,694
Changes in assumptions and other inputs	538,572
Benefit payments	<u>(365,587)</u>
Net changes	<u>1,232,534</u>
Balance at 12/31/2017	<u>\$ 11,490,356</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 3.81% to 3.31%.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.31%) in measuring the total OPEB liability.

	<u>1% Decrease in Discount Rate (2.31%)</u>	<u>Discount Rate (3.31%)</u>	<u>1% Increase in Discount Rate (4.31%)</u>
Total OPEB liability	\$ 12,627,053	\$ 11,490,356	\$ 10,434,850

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the total OPEB liability.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
Total OPEB liability	\$ 9,810,957	\$ 11,490,356	\$ 13,550,532

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended September 30, 2018, the County recognized OPEB expense of \$1,115,270. At September 30, 2018, the County reported deferred outflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ 5,051
Changes in actuarial assumptions	477,800
Contributions subsequent to the measurement date	<u>286,717</u>
 Total	 <u>\$ 769,568</u>

\$286,717 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the County paid with own assets and will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts of the reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2019	\$ 61,415
2020	61,415
2021	61,415
2022	61,415
2023	61,415
Thereafter	175,776

C. Defined Other Post-Employment Benefit Plans

TCDRS Group Term Life Fund

Plan Description. The County voluntarily participates in the Texas County & District Group Term Life Fund (TCDRS GTLF). The GTLF is a single-employer defined Other Post-Employment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TCDRS Act.

Benefits Provided. The GTLF provides group-term life insurance to County employees who are active members in TCDRS, including or not including retirees. The County’s Commissioners’ Court opted into this program, and may terminate coverage under, and discontinue participation in, the GTLF program as of January 1, each year.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s most recent regular annualized salary. The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$5,000.

Employees covered by benefit terms. The number of employees currently covered by the benefit terms is as follows:

Inactive employees receiving benefits	211
Inactive employees entitled to but not yet receiving benefits	111
Active employees	<u>536</u>
	<u><u>858</u></u>

Contributions. The County contributes to the GTLF at a contractually required rate as determined by an annual actuarial valuation, which was 0.29% for 2018 and 0.32% for 2017, of which 0.10% and 0.11%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the GTLF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. The County’s contributions to the GTLF for the years ended September 30, 2018 and 2017 were \$74,681 and \$75,701, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability. The County’s Total OPEB Liability (TOL) was measured as of December 31, 2017 as determined by an actuarial valuation as of that date.

Actuarial Assumptions. The Total OPEB Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Measurement year ended	December 31, 2017
Investment rate of return (discount rate)	3.44%, or 20 Year Bond GO Index published by bondbuyer.com as of December 28, 2017.
Actuarial cost method	Entry age normal

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

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

All actuarial assumptions and methods that determined the Total OPEB Liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 75.

Discount Rate. The TCDRS GTLF program is treated as an unfunded OPEB plan because the GTLF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.44% was used to measure the Total OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was the 20 Year Bond GO Index published by bondbuyer.com as of the measurement date of December 31, 2017.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (2.44%)	Current Discount Rate (3.44%)	1% Increase in Discount Rate (4.44%)
Total OPEB Liability	\$ 1,251,143	\$ 1,034,971	\$ 870,083

OPEB Liability, OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEBs. At September 30, 2018, the County reported a liability of \$1,034,971 for its Total OPEB Liability. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017. For the year ended September 30, 2018, the County recognized OPEB expense of \$77,804. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	<u>Changes in Total OPEB Liability</u>
Balance at December 31, 2016	\$ 961,082
Changes for the year:	
Service cost	36,235
Interest on total OPEB liability ⁽¹⁾	37,218
Effect of economic/demographic gains or losses	(24,241)
Effect of assumptions changes or inputs ⁽²⁾	50,348
Benefit payments	(25,671)
Balance at December 31, 2017	<u>\$ 1,034,971</u>

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

⁽²⁾ Reflects change in discount rate and the new assumptions adopted based on the January 1, 2013 - December 31, 2016 Investigation of Experience.

At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 20,201
Change of assumptions	41,957	-
Contributions subsequent to the measurement date	<u>18,489</u>	<u>-</u>
Totals	<u>\$ 60,446</u>	<u>\$ 20,201</u>

\$18,489 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2019. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2019	\$ 4,351
2020	4,351
2021	4,351
2022	4,351
2023	4,352

D. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains commercial insurance coverage for each of these risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims did not exceed this commercial insurance coverage during the current fiscal year.

E. Tax Abatements

The County enters into economic development agreements designed to promote development and redevelopment within the County, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the County. The County's economic development agreements are authorized under Chapter 312 (Property Redevelopment and Tax Abatement) of the Texas Tax Code. The economic development agreements are designed to support the creation of new businesses, the expansion and retention of existing businesses within the County, and the attraction of companies that offer high impact jobs and share the community's values. Recipients may be eligible to receive economic assistance based on the employment, economic or community impact of the project requesting assistance. Recipients generally commit to building or remodeling real property and related infrastructure, redeveloping properties, expanding operations or bringing targeted business to the County. Agreements generally contain recapture provisions which may require repayment or termination if recipients do not meet the required provisions of the economic incentives.

The County has also entered into two agreements under State County Development and Growth, Chapter 381 of the Texas Local Government Code that will rebate a percentage of property taxes.

In fiscal year 2018, the County abated property tax revenue totaling \$75,416 for seven entities. In addition, the County made Chapter 381 property tax rebates of \$225,983 for two entities.

F. Related Party Transactions

During the 2018 fiscal year, the County received services from a company owned by a relative of a member of Commissioners Court. The contract was approved by Commissioners Court and the Commissioner abstained from that vote. Total payments to the vendor for the fiscal year were \$189,203.

G. Prior Period Adjustment – Change in Accounting Principles

During fiscal year 2018, the County adopted GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*. With GASB 75, the County must assume its Total OPEB Liability in connection with the TCDRS GTLF and Retiree Health Plan. Adoption of GASB 75 required a prior period adjustment to report the effect of the standard retroactively. As such, beginning net position was restated by \$4,138,866.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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KAUFMAN COUNTY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Measurement Date, December 31	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability				
Service Cost	\$ 3,238,234	\$ 3,065,258	\$ 2,644,182	\$ 2,762,499
Interest total pension liability	6,348,341	5,728,468	5,436,268	5,087,347
Effect of plan changes	-	-	(581,498)	-
Effect of assumption changes or inputs	328,681	-	793,523	-
Effect of economic/demographic (gains) or losses	(779,039)	975,056	(1,233,372)	(306,924)
Benefit payments/refunds of contributions	(4,067,947)	(3,643,256)	(3,468,516)	(3,101,049)
Net change in total pension liability	5,068,270	6,125,526	3,590,587	4,441,873
Total pension liability - beginning	<u>77,130,725</u>	<u>71,005,199</u>	<u>67,414,612</u>	<u>62,972,739</u>
Total pension liability - ending (a)	<u>\$ 82,198,995</u>	<u>\$ 77,130,725</u>	<u>\$ 71,005,199</u>	<u>\$ 67,414,612</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 2,149,400	\$ 2,156,826	\$ 1,967,249	\$ 1,948,436
Member contributions	1,633,633	1,632,185	1,464,973	1,415,395
Investment income net of investment expenses	10,274,385	4,810,216	(320,384)	4,146,388
Benefit payments refunds of contributions	(4,067,947)	(3,643,256)	(3,468,516)	(3,101,049)
Administrative expenses	(53,437)	(52,386)	(46,996)	(48,743)
Other	(3,545)	452,289	49,879	40,434
Net change in plan fiduciary net position	9,932,489	5,355,874	(353,795)	4,400,861
Plan fiduciary net position - beginning	<u>70,420,642</u>	<u>65,064,768</u>	<u>65,418,563</u>	<u>61,017,702</u>
Plan fiduciary net position - ending (b)	<u>\$ 80,353,131</u>	<u>\$ 70,420,642</u>	<u>\$ 65,064,768</u>	<u>\$ 65,418,563</u>
Net pension liability - ending (a) - (b)	<u>\$ 1,845,864</u>	<u>\$ 6,710,083</u>	<u>\$ 5,940,431</u>	<u>\$ 1,996,049</u>
Fiduciary net position as a percentage of total pension liability	97.75%	91.30%	91.63%	97.04%
Pensionable covered payroll	\$ 23,337,656	\$ 23,316,925	\$ 20,928,191	\$ 20,111,254
Net pension liability as a percentage of covered payroll	7.91%	28.78%	28.38%	9.93%

Note: This schedule is required to have 10 years of information but the information prior to 2014 is not available.

KAUFMAN COUNTY, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Fiscal Year Ended September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 1,943,276	\$ 1,943,276	\$ -	\$ 20,264,138	9.6%
2015	1,948,005	1,948,005	-	20,597,590	9.5%
2016	2,065,400	2,065,400	-	22,246,549	9.3%
2017	2,110,610	2,110,610	-	22,889,854	9.2%
2018	2,355,016	2,355,016	-	25,146,889	9.4%

Note: This schedule is required to have 10 years of information but the information prior to 2014 is not available.

KAUFMAN COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	12.7 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service, 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the schedule. 2016: No changes in plan provisions were reflected in the schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

**Only changes that affect the benefit amount and that are effective 2015 and later are shown in the notes to the schedule.*

KAUFMAN COUNTY, TEXAS

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - GROUP TERM LIFE**

SEPTEMBER 30, 2018

Measurement Date, December 31	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 36,235
Interest on total OPEB liability	37,218
Effect of assumption changes or inputs	50,348
Effect of economic/demographic gains or losses	(24,241)
Benefit payments	(25,671)
Net change in Total OPEB Liability	73,889
Total OPEB Liability - beginning	<u>961,082</u>
Total OPEB Liability - ending	<u>\$ 1,034,971</u>
Covered-employee payroll	\$ 23,337,656
Total OPEB Liability (Asset) as a percentage of covered-employee payroll	4.43%

Note: This schedule is required to have 10 years of information but the information prior to 2017 is not available.

KAUFMAN COUNTY, TEXAS

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS - RETIREE HEALTH PLAN**

SEPTEMBER 30, 2018

Measurement Date, December 31	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 657,472
Interest on total OPEB liability	396,383
Difference between expected and actual experience	5,694
Effect of assumption changes or inputs	538,572
Benefit payments	(365,587)
Net change in Total OPEB Liability	1,232,534
Total OPEB Liability - beginning	<u>10,257,822</u>
Total OPEB Liability - ending	<u>\$ 11,490,356</u>
Covered-employee payroll	\$ 23,337,656
Total OPEB Liability (Asset) as a percentage of covered-employee payroll	49.24%

Note: This schedule is required to have 10 years of information but the information prior to 2017 is not available.

KAUFMAN COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 34,864,510	\$ 34,865,031	\$ 34,819,274	\$(45,757)
Mixed beverage taxes	130,000	130,000	162,002	32,002
License and permits	54,000	80,456	89,048	8,592
Fees of office	3,592,350	3,593,144	4,024,608	431,464
Charges for service	601,660	660,225	578,705	(81,520)
Intergovernmental	3,042,005	3,557,993	3,635,328	77,335
Investment income	100,100	100,100	199,137	99,037
Miscellaneous	<u>109,650</u>	<u>236,154</u>	<u>483,665</u>	<u>247,511</u>
Total revenues	<u>42,494,275</u>	<u>43,223,103</u>	<u>43,991,767</u>	<u>768,664</u>
EXPENDITURES				
Current:				
General Government:				
County Clerk	823,453	823,453	805,082	18,371
County Service Officer	59,366	59,366	56,603	2,763
General Government	7,269,345	7,172,214	7,133,366	38,848
Voter's Registration	63,931	63,331	61,951	1,380
Emergency Management	172,183	181,443	172,560	8,883
Collections	138,015	138,015	125,103	12,912
District Clerk	568,587	522,856	459,587	63,269
Election Expense	281,399	280,799	1,004,050	(723,251)
County Auditor	357,876	357,876	354,935	2,941
Purchasing Agent	191,860	191,860	181,293	10,567
County Treasurer	187,898	187,898	180,054	7,844
Human Resources	167,219	167,419	147,865	19,554
Tax Collector	1,008,110	1,011,310	1,004,464	6,846
Maintenance and Operations	927,317	910,835	886,067	24,768
Utilities	470,000	559,567	558,887	680
Tobacco Settlement	27,500	27,500	27,527	(27)
General Right of Way	5,390	5,390	-	5,390
Probate Education	4,800	4,800	467	4,333
Extension Service	302,165	302,165	296,543	5,622
Project/Program Manager	54,915	54,915	54,339	576
Lake Dam Maintenance	14,600	14,600	7,765	6,835
Computer	683,335	938,281	912,040	26,241
Telecommunications	437,664	397,641	361,820	35,821
Probate and Lunacy	53,250	53,250	48,865	4,385
Information Technology	<u>702,136</u>	<u>748,793</u>	<u>748,695</u>	<u>98</u>
Total General Government	<u>14,972,314</u>	<u>15,175,577</u>	<u>15,589,928</u>	<u>(414,351)</u>

KAUFMAN COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Public Safety				
Judicial and Law Enforcement	\$ 240,500	\$ 247,830	\$ 243,830	\$ 4,000
Fire Marshal	290,717	301,884	265,976	35,908
Constable Precinct 1	172,089	182,089	176,700	5,389
Constable Precinct 2	198,474	262,662	252,615	10,047
Constable Precinct 3	266,944	271,944	254,749	17,195
Constable Precinct 4	256,306	267,306	255,337	11,969
Sheriff's Fund	6,388,998	6,425,960	6,137,417	288,543
Jail Expense	7,596,317	8,051,881	7,981,438	70,443
School Officers	467,500	467,500	342,363	125,137
911 Regional Call Center	1,524,283	1,463,283	1,396,229	67,054
FWSD #1C - Windmill Farms	53,380	97,894	94,765	3,129
Highway Patrol	90,934	96,148	96,030	118
DPS License and Weight	7,700	7,571	5,160	2,411
Juvenile Probation	12,600	12,600	5,336	7,264
Total Public Safety	<u>17,566,742</u>	<u>18,156,552</u>	<u>17,507,945</u>	<u>648,607</u>
Judicial				
County Judge	262,184	262,184	257,831	4,353
County Court at Law #2	380,873	381,463	371,286	10,177
County Court at Law #1	396,473	409,474	397,679	11,795
Public Defender	560,642	523,401	485,911	37,490
422nd District Court	236,287	236,287	196,561	39,726
District Attorney	2,626,170	2,663,411	2,557,636	105,775
Pretrial Diversion	-	4,208	4,208	-
86th District Court	195,374	195,374	184,774	10,600
Justice of the Peace #1	230,274	230,274	226,088	4,186
Justice of the Peace #2	240,269	240,269	235,481	4,788
Justice of the Peace #3	287,317	287,317	280,415	6,902
Justice of the Peace #4	246,444	246,444	235,636	10,808
Jury Fund	28,900	21,570	19,977	1,593
Charities Poor and Relief	611,500	788,929	788,267	662
Total Judicial	<u>6,302,707</u>	<u>6,490,605</u>	<u>6,241,750</u>	<u>248,855</u>
Community Services				
General Government - Community Services	91,100	91,100	91,100	-
Precinct 1 Solid Waste	91,100	117,556	110,345	7,211
Library	204,222	204,422	201,020	3,402
Total Community Services	<u>386,422</u>	<u>413,078</u>	<u>402,465</u>	<u>10,613</u>

KAUFMAN COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Infrastructure and Environmental Services				
Public Works	\$ 275,342	\$ 275,342	\$ 232,948	\$ 42,394
Environmental Enforcement	291,758	183,199	159,309	23,890
Precinct 4 Convenience Station	<u>59,526</u>	<u>69,771</u>	<u>68,075</u>	<u>1,696</u>
Total Infrastructure and Environmental Services	<u>626,626</u>	<u>528,312</u>	<u>460,332</u>	<u>67,980</u>
Health and Human Services				
General Government - Health and Human Services	98,200	98,200	97,072	1,128
Indigent Health Care	<u>308,700</u>	<u>408,700</u>	<u>373,391</u>	<u>35,309</u>
Total Health and Human Services	<u>406,900</u>	<u>506,900</u>	<u>470,463</u>	<u>36,437</u>
Capital outlay	1,227,445	1,767,790	1,741,837	25,953
Debt service:				
Principal	16,135	16,135	16,135	-
Interest and fiscal charges	<u>2,162</u>	<u>2,162</u>	<u>2,162</u>	<u>-</u>
Total expenditures	<u>41,507,453</u>	<u>43,057,111</u>	<u>42,433,017</u>	<u>624,094</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>986,822</u>	<u>165,992</u>	<u>1,558,750</u>	<u>1,392,758</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term debt	-	-	732,264	732,264
Sale of capital assets	50,000	50,000	-	(50,000)
Insurance recoveries	-	57,647	57,647	-
Transfers in	102,983	102,983	25,544	(77,439)
Transfers out	<u>(1,393,638)</u>	<u>(1,409,809)</u>	<u>(1,409,809)</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,240,655)</u>	<u>(1,199,179)</u>	<u>(594,354)</u>	<u>(127,439)</u>
NET CHANGE IN FUND BALANCES	(253,833)	(1,033,187)	964,396	1,997,583
FUND BALANCES, BEGINNING	<u>4,955,521</u>	<u>4,955,521</u>	<u>4,955,521</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 4,701,688</u>	<u>\$ 3,922,334</u>	<u>\$ 5,919,917</u>	<u>\$ 1,997,583</u>

KAUFMAN COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL ROAD AND BRIDGE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 8,012,665	\$ 8,027,665	\$ 7,833,266	\$(194,399)
Fees of office	2,031,800	2,031,800	2,520,203	488,403
Charges for service	-	103,198	497,245	394,047
Intergovernmental	534,700	864,476	329,828	(534,648)
Investment income	20,105	20,105	30,675	10,570
Miscellaneous	4,100	416,408	24,530	(391,878)
Total revenues	<u>10,603,370</u>	<u>11,463,652</u>	<u>11,235,747</u>	<u>(227,905)</u>
EXPENDITURES				
Current:				
Infrastructure and Environmental				
Maintenance	24,400	39,400	21,198	18,202
Precinct 1	3,276,204	3,956,827	2,705,961	1,250,866
Precinct 2	2,547,708	2,825,695	1,325,387	1,500,308
Precinct 3	3,483,220	4,101,689	3,574,197	527,492
Precinct 4	3,762,714	3,326,835	2,795,815	531,020
Capital outlay	836,407	1,878,462	3,393,950	(1,515,488)
Debt service				
Principal	506,317	577,113	347,219	229,894
Interest and fiscal charges	54,910	65,020	35,384	29,636
Total expenditures	<u>14,491,880</u>	<u>16,771,041</u>	<u>14,199,111</u>	<u>2,571,930</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,888,510)</u>	<u>(5,307,389)</u>	<u>(2,963,364)</u>	<u>2,344,025</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	1,140,206	1,138,406	(1,800)
Transfers in	-	278,673	278,673	-
Issuance of capital lease	-	-	1,633,667	1,633,667
Total other financing sources (uses)	<u>-</u>	<u>1,418,879</u>	<u>3,050,746</u>	<u>1,631,867</u>
NET CHANGE IN FUND BALANCES	<u>(3,888,510)</u>	<u>(3,888,510)</u>	<u>87,382</u>	<u>3,975,892</u>
FUND BALANCES, BEGINNING	<u>4,217,391</u>	<u>4,217,391</u>	<u>4,217,391</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 328,881</u>	<u>\$ 328,881</u>	<u>\$ 4,304,773</u>	<u>\$ 3,975,892</u>

KAUFMAN COUNTY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018

Budgetary Information

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

1. The County Judge has departmental meetings with management to determine the departmental budget requests.
2. The County Judge submits to the County Commissioners a proposed operating budget for the fiscal year commencing the following October. The operational budget includes proposed expenditures and the means of financing them.
3. Public hearings are conducted to obtain taxpayer comments.
4. After the public hearings, the Commissioners' Court reviews the budget and makes any adjustments they feel necessary.
5. The budget is then legally enacted by the Commissioners' Court on or before October 1.

Only the governing body, composed of the Commissioners' Court, may amend the budget after its adoption so long as the amendment continues to meet the requirements of Section 111 of the *Local Government Code*. During the year, several supplementary amendments to the original budget were required. Individual amendments were not material in relation to the original appropriations, and all amendments were legally made. The County's budget authorizes expenditures for all governmental fund types. The County's legally adopted budget is at the department level in those funds with multiple departments and at the fund level in single department funds. All budgets are fixed in nature. For internal management purposes, the budgets are detailed by line item and entered into the accounting records. Comparisons of actual expenditures or expenses to budget are made on an ongoing basis. Budgets are adopted on a basis consistent with generally accepted accounting principles. Budget appropriations lapse at year-end. Annual appropriated budgets are adopted for the General, General Road and Bridge Funds and Debt Service Funds.

**COMBINING
STATEMENTS AND SCHEDULES**

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	Special Revenue			
	Sheriff Federal Forfeitures	Sheriff State Forfeitures	District Attorney Forfeitures	Law Library
ASSETS				
Cash and cash equivalents	\$ 34,922	\$ 33,015	\$ 87,045	\$ 187,540
Receivables:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Total assets	34,922	33,015	87,045	187,540
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	425	6,494
Accrued liabilities	-	-	-	718
Due to other funds	-	-	185	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	610	7,212
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred outflows	-	-	-	-
FUND BALANCES				
Nonspendable - prepaid items	-	-	-	-
Restricted for:				
Public safety	34,922	33,015	-	-
Judicial	-	-	86,435	180,328
Fire code enforcement	-	-	-	-
Historical preservation	-	-	-	-
Records management and preservation	-	-	-	-
Court technology and security	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	34,922	33,015	86,435	180,328
Total liabilities, deferred inflows of resources, and fund balances	\$ 34,922	\$ 33,015	\$ 87,045	\$ 187,540

Special Revenue

Voter Registration	Juvenile Probation	Appellate Justice System	Records Management	Library Memorials	Courthouse Security	Records Management & Preservation
\$ 8,778	\$ 63,773	\$ 19,440	\$ 280,716	\$ 3,232	\$ 187,900	\$ 53,039
-	-	-	-	-	-	-
-	29,177	-	-	-	-	-
-	-	-	-	-	-	-
-	75	-	-	-	-	-
<u>8,778</u>	<u>93,025</u>	<u>19,440</u>	<u>280,716</u>	<u>3,232</u>	<u>187,900</u>	<u>53,039</u>
-	4,218	-	4,626	-	3,140	-
-	26,131	-	2,526	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>30,349</u>	<u>-</u>	<u>7,152</u>	<u>-</u>	<u>3,140</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	75	-	-	-	-	-
-	62,601	-	-	-	-	-
-	-	19,440	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	3,232	-	-
-	-	-	273,564	-	-	53,039
-	-	-	-	-	184,760	-
-	-	-	-	-	-	-
8,778	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>8,778</u>	<u>62,676</u>	<u>19,440</u>	<u>273,564</u>	<u>3,232</u>	<u>184,760</u>	<u>53,039</u>
<u>\$ 8,778</u>	<u>\$ 93,025</u>	<u>\$ 19,440</u>	<u>\$ 280,716</u>	<u>\$ 3,232</u>	<u>\$ 187,900</u>	<u>\$ 53,039</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	Special Revenue			
	District Clerk Records Management & Preservation	Fire Code	CCL Diversion Court	422nd Diversion Court
ASSETS				
Cash and cash equivalents	\$ 74,917	\$ 196,607	\$ 52,195	\$ 42,093
Receivables:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	1,536	1,536
Prepaid items	-	-	-	-
Total assets	<u>74,917</u>	<u>196,607</u>	<u>53,731</u>	<u>43,629</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	149	675	-
Accrued liabilities	-	175	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	<u>-</u>	<u>324</u>	<u>675</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable - prepaid items	-	-	-	-
Restricted for:				
Public safety	-	-	-	-
Judicial	-	-	53,056	43,629
Fire code enforcement	-	196,283	-	-
Historical preservation	-	-	-	-
Records management and preservation	74,917	-	-	-
Court technology and security	-	-	-	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>74,917</u>	<u>196,283</u>	<u>53,056</u>	<u>43,629</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 74,917</u>	<u>\$ 196,607</u>	<u>\$ 53,731</u>	<u>\$ 43,629</u>

Constable Pct. 4 Forfeitures	Justice Court Building Security	Juror Reimbursements	Texas Water Improvement	Historical Society	Farm Museum	Juvenile Case Manager
\$ 4,378	\$ 16,286	\$ 12,165	\$ 19,840	\$ 34,810	\$ 5,248	\$ 1,963
-	-	-	-	-	-	-
-	-	-	68,015	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>4,378</u>	<u>16,286</u>	<u>12,165</u>	<u>87,855</u>	<u>34,810</u>	<u>5,248</u>	<u>1,963</u>
-	-	2,440	68,015	-	-	-
-	-	-	-	-	-	-
-	-	-	100	918	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>2,440</u>	<u>68,115</u>	<u>918</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
4,378	-	-	-	-	-	1,963
-	-	9,725	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	33,892	5,248	-
-	-	-	-	-	-	-
-	16,286	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	19,740	-	-	-
-	-	-	-	-	-	-
<u>4,378</u>	<u>16,286</u>	<u>9,725</u>	<u>19,740</u>	<u>33,892</u>	<u>5,248</u>	<u>1,963</u>
<u>\$ 4,378</u>	<u>\$ 16,286</u>	<u>\$ 12,165</u>	<u>\$ 87,855</u>	<u>\$ 34,810</u>	<u>\$ 5,248</u>	<u>\$ 1,963</u>

KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	Special Revenue			
	LEOSE	County & District	JP	Records
	Training	Court Technology	Technology	Archive
ASSETS				
Cash and cash equivalents	\$ 40,532	\$ 6,145	\$ 246,913	\$ 118,142
Receivables:				
Taxes	-	-	-	-
Due from other governments	-	-	-	-
Due from other funds	-	-	-	-
Prepaid items	-	-	-	-
Total assets	40,532	6,145	246,913	118,142
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	-	-	2,792	2,700
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	2,792	2,700
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	-	-	-	-
Total deferred outflows	-	-	-	-
FUND BALANCES				
Nonspendable - prepaid items	-	-	-	-
Restricted for:				
Public safety	40,532	-	-	-
Judicial	-	-	-	-
Fire code enforcement	-	-	-	-
Historical preservation	-	-	-	-
Records management and preservation	-	-	-	115,442
Court technology and security	-	6,145	244,121	-
Debt service	-	-	-	-
Other purposes	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	40,532	6,145	244,121	115,442
Total liabilities, deferred inflows of resources, and fund balances	\$ 40,532	\$ 6,145	\$ 246,913	\$ 118,142

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KAUFMAN COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

		<u>Capital Projects</u>	
	<u>Debt Service</u>	<u>Radio Bond</u>	<u>Total Other Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 342,961	\$ -	\$ 2,194,874
Receivables:			
Taxes	160,829	-	160,829
Due from other governments	-	-	97,192
Due from other funds	-	-	3,072
Prepaid items	-	-	75
Total assets	<u>503,790</u>	<u>-</u>	<u>2,456,042</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	400	-	101,080
Accrued liabilities	-	-	29,550
Due to other funds	-	-	1,203
Deferred revenue	-	-	5,701
Total liabilities	<u>400</u>	<u>-</u>	<u>137,534</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	<u>147,326</u>	<u>-</u>	<u>147,326</u>
Total deferred outflows	<u>147,326</u>	<u>-</u>	<u>147,326</u>
FUND BALANCES			
Nonspendable - prepaid items	-	-	75
Restricted for:			
Public safety	-	-	177,411
Judicial	-	-	392,613
Fire code enforcement	-	-	196,283
Historical preservation	-	-	42,372
Records management and preservation	-	-	516,962
Court technology and security	-	-	451,312
Debt service	356,064	-	356,064
Other purposes	-	-	38,258
Unassigned	<u>-</u>	<u>-</u>	<u>(168)</u>
Total fund balances	<u>356,064</u>	<u>-</u>	<u>2,171,182</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 503,790</u>	<u>\$ -</u>	<u>\$ 2,456,042</u>

KAUFMAN COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue			
	Sheriff Federal Forfeitures	Sheriff State Forfeitures	District Attorney Forfeitures	Law Library
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Fees of office	-	-	-	68,454
Forfeitures	-	25,189	81,247	-
Intergovernmental	-	-	-	-
Investment income	-	-	-	852
Miscellaneous	<u>26,225</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>26,225</u>	<u>25,189</u>	<u>81,247</u>	<u>69,306</u>
EXPENDITURES				
General government	-	-	-	-
Public safety and corrections	38,099	57,437	-	-
Judicial	-	-	25,671	85,290
Infrastructure and environmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>38,099</u>	<u>57,437</u>	<u>25,671</u>	<u>85,290</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,874)</u>	<u>(32,248)</u>	<u>55,576</u>	<u>(15,984)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>(11,874)</u>	<u>(32,248)</u>	<u>55,576</u>	<u>(15,984)</u>
FUND BALANCES, BEGINNING	<u>46,796</u>	<u>65,263</u>	<u>30,859</u>	<u>196,312</u>
FUND BALANCES, ENDING	<u>\$ 34,922</u>	<u>\$ 33,015</u>	<u>\$ 86,435</u>	<u>\$ 180,328</u>

Special Revenue

Voter Registration	Juvenile Probation	Appellate Justice System	Records Management	Library Memorials	Courthouse Security	Records Management and Preservation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	9,783	348,010	-	72,994	26,229
-	-	-	-	-	-	-
33,076	596,977	-	-	-	-	-
31	813	-	1,937	-	692	183
-	3,500	-	-	785	-	-
<u>33,107</u>	<u>601,290</u>	<u>9,783</u>	<u>349,947</u>	<u>785</u>	<u>73,686</u>	<u>26,412</u>
28,581	-	-	523,474	-	-	-
-	1,171,700	-	-	-	-	-
-	-	9,274	-	-	17,755	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>28,581</u>	<u>1,171,700</u>	<u>9,274</u>	<u>523,474</u>	<u>-</u>	<u>17,755</u>	<u>-</u>
4,526	(570,410)	509	(173,527)	785	55,931	26,412
-	579,149	-	-	-	-	-
-	-	-	-	-	-	-
-	579,149	-	-	-	-	-
4,526	8,739	509	(173,527)	785	55,931	26,412
<u>4,252</u>	<u>53,937</u>	<u>18,931</u>	<u>447,091</u>	<u>2,447</u>	<u>128,829</u>	<u>26,627</u>
<u>\$ 8,778</u>	<u>\$ 62,676</u>	<u>\$ 19,440</u>	<u>\$ 273,564</u>	<u>\$ 3,232</u>	<u>\$ 184,760</u>	<u>\$ 53,039</u>

KAUFMAN COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue			
	District Clerk Records Management and Preservation	Fire Code	CCL Diversion Court	422nd Diversion Court
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	92,080	-	-
Fees of office	32,115	17,125	3,236	2,359
Forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	264	-	-	-
Miscellaneous	-	-	-	-
Total revenues	32,379	109,205	3,236	2,359
EXPENDITURES				
General government	-	-	-	-
Public safety and corrections	-	10,369	-	200
Judicial	-	-	7,605	-
Infrastructure and environmental	-	-	-	-
Capital outlay	-	50,723	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	61,092	7,605	200
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	32,379	48,113	(4,369)	2,159
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	7,375	7,375
Transfers out	-	(37,600)	-	-
Total other financing sources (uses)	-	(37,600)	7,375	7,375
NET CHANGE IN FUND BALANCES	32,379	10,513	3,006	9,534
FUND BALANCES, BEGINNING	42,538	185,770	50,050	34,095
FUND BALANCES, ENDING	\$ 74,917	\$ 196,283	\$ 53,056	\$ 43,629

Constable Pct. 4 Forfeitures	Justice Court Building Security	Juror Reimbursements	Texas Water Improvement	Historical Society	Farm Museum	Juvenile Case Manager
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	8,263	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	244,118	-	-	-
21	-	56	175	143	92	-
<u>324</u>	<u>-</u>	<u>1,590</u>	<u>-</u>	<u>1,260</u>	<u>-</u>	<u>-</u>
<u>345</u>	<u>8,263</u>	<u>1,646</u>	<u>244,293</u>	<u>1,403</u>	<u>92</u>	<u>-</u>
-	-	-	-	982	22,666	-
2,003	-	-	-	-	-	-
-	18,393	52,350	-	-	-	-
-	-	-	271,268	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,003</u>	<u>18,393</u>	<u>52,350</u>	<u>271,268</u>	<u>982</u>	<u>22,666</u>	<u>-</u>
(1,658)	(10,130)	(50,704)	(26,975)	421	(22,574)	-
-	-	60,000	-	6,800	6,800	-
-	-	-	-	(2,600)	-	-
-	-	60,000	-	4,200	6,800	-
(1,658)	(10,130)	9,296	(26,975)	4,621	(15,774)	-
<u>6,036</u>	<u>26,416</u>	<u>429</u>	<u>46,715</u>	<u>29,271</u>	<u>21,022</u>	<u>1,963</u>
\$ <u>4,378</u>	\$ <u>16,286</u>	\$ <u>9,725</u>	\$ <u>19,740</u>	\$ <u>33,892</u>	\$ <u>5,248</u>	\$ <u>1,963</u>

KAUFMAN COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue			
	LEOSE Training	County & District Court Technology	JP Technology	Records Archive
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Fees of office	-	4,176	33,362	328,310
Forfeitures	-	-	-	-
Intergovernmental	17,056	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>17,056</u>	<u>4,176</u>	<u>33,362</u>	<u>328,310</u>
EXPENDITURES				
General government	-	63	-	621,177
Public safety and corrections	2,100	-	-	-
Judicial	-	-	23,767	-
Infrastructure and environmental	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>2,100</u>	<u>63</u>	<u>23,767</u>	<u>621,177</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>14,956</u>	<u>4,113</u>	<u>9,595</u>	<u>(292,867)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	14,956	4,113	9,595	(292,867)
FUND BALANCES, BEGINNING	<u>25,576</u>	<u>2,032</u>	<u>234,526</u>	<u>408,309</u>
FUND BALANCES, ENDING	<u>\$ 40,532</u>	<u>\$ 6,145</u>	<u>\$ 244,121</u>	<u>\$ 115,442</u>

Special Revenue

SCAAP Grant	Tax Assessor/ Collector Administration Fees	Air Quality Grant	Capital Murder Grant
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
27,460	2,844	30,167	-
-	-	-	-
-	-	-	-
<u>27,460</u>	<u>2,844</u>	<u>30,167</u>	<u>-</u>
-	6,744	-	-
27,460	-	38,662	-
-	-	-	30,660
-	-	-	-
-	-	-	-
-	-	-	-
<u>27,460</u>	<u>6,744</u>	<u>38,662</u>	<u>30,660</u>
<u>-</u>	<u>(3,900)</u>	<u>(8,495)</u>	<u>(30,660)</u>
-	-	-	42,060
-	-	-	-
-	-	-	<u>42,060</u>
-	(3,900)	(8,495)	11,400
<u>(168)</u>	<u>13,640</u>	<u>8,495</u>	<u>(11,400)</u>
<u>\$(168)</u>	<u>\$ 9,740</u>	<u>\$ -</u>	<u>\$ -</u>

KAUFMAN COUNTY, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

		<u>Capital Projects</u>		
	<u>Debt Service</u>	<u>Radio Bond</u>		<u>Total Other Governmental Funds</u>
REVENUES				
Property taxes	\$ 4,541,795	\$ -		\$ 4,541,795
License and permits	-	-		92,080
Fees of office	-	-		954,416
Forfeitures	-	-		106,436
Intergovernmental	-	-		951,698
Investment income	4,789	4		10,052
Miscellaneous	-	-		33,684
Total revenues	<u>4,546,584</u>	<u>4</u>		<u>6,690,161</u>
EXPENDITURES				
General government	-	-		1,203,687
Public safety and corrections	-	-		1,348,030
Judicial	-	-		270,765
Infrastructure and environmental	-	-		271,268
Capital outlay	-	-		50,723
Debt service:				
Principal	2,628,490	-		2,628,490
Interest and fiscal charges	2,518,912	-		2,518,912
Total expenditures	<u>5,147,402</u>	<u>-</u>		<u>8,291,875</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(600,818)</u>	<u>4</u>		<u>(1,601,714)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	715,000	-		1,424,559
Transfers out	-	(94)		(40,294)
Total other financing sources (uses)	<u>715,000</u>	<u>(94)</u>		<u>1,384,265</u>
NET CHANGE IN FUND BALANCES	114,182	(90)		(217,449)
FUND BALANCES, BEGINNING	<u>241,882</u>	<u>90</u>		<u>2,388,631</u>
FUND BALANCES, ENDING	<u>\$ 356,064</u>	<u>\$ -</u>		<u>\$ 2,171,182</u>

**DEBT SERVICE
BUDGET TO ACTUAL**

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KAUFMAN COUNTY, TEXAS

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

DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 4,536,774	\$ 4,536,774	\$ 4,541,795	\$ 5,021
Investment income	3,150	3,150	4,789	1,639
Total revenues	<u>4,539,924</u>	<u>4,539,924</u>	<u>4,546,584</u>	<u>6,660</u>
EXPENDITURES				
Debt service				
Principal	2,628,490	2,628,490	2,628,490	-
Interest and fiscal charges	<u>2,524,976</u>	<u>2,526,990</u>	<u>2,518,912</u>	<u>8,078</u>
Total expenditures	<u>5,153,466</u>	<u>5,155,480</u>	<u>5,147,402</u>	<u>8,078</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(613,542)</u>	<u>(615,556)</u>	<u>(600,818)</u>	<u>14,738</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>715,000</u>	<u>715,000</u>	<u>715,000</u>	<u>-</u>
Total other financing sources (uses)	<u>715,000</u>	<u>715,000</u>	<u>715,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	101,458	99,444	114,182	14,738
FUND BALANCES, BEGINNING	<u>241,882</u>	<u>241,882</u>	<u>241,882</u>	<u>-</u>
FUND BALANCES, ENDING	<u>\$ 343,340</u>	<u>\$ 341,326</u>	<u>\$ 356,064</u>	<u>\$ 14,738</u>

KAUFMAN COUNTY, TEXAS

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

SEPTEMBER 30, 2018

	Agency Funds				
	Childrens' Shelter	Adult Probation	Tax Assessor Collector	Employee Savings	JP Offices
ASSETS					
Cash and cash equivalents	\$ <u>6,129</u>	\$ <u>1,022,611</u>	\$ <u>1,315,504</u>	\$ <u>340,177</u>	\$ <u>177,838</u>
Total assets	<u>6,129</u>	<u>1,022,611</u>	<u>1,315,504</u>	<u>340,177</u>	<u>177,838</u>
LIABILITIES AND FUND BALANCES					
Due to others	<u>6,129</u>	<u>1,022,611</u>	<u>1,315,504</u>	<u>340,177</u>	<u>177,838</u>
Total liabilities	<u><u>\$ 6,129</u></u>	<u><u>\$ 1,022,611</u></u>	<u><u>\$ 1,315,504</u></u>	<u><u>\$ 340,177</u></u>	<u><u>\$ 177,838</u></u>

Agency Funds

District Clerk	County Clerk	County District Attorney	Sherriff Office	Total Agency Funds
\$ <u>1,481,990</u>	\$ <u>1,156,624</u>	\$ <u>157,960</u>	\$ <u>287,913</u>	\$ <u>5,946,746</u>
<u>1,481,990</u>	<u>1,156,624</u>	<u>157,960</u>	<u>287,913</u>	<u>5,946,746</u>
<u>1,481,990</u>	<u>1,156,624</u>	<u>157,960</u>	<u>287,913</u>	<u>5,946,746</u>
<u>\$ 1,481,990</u>	<u>\$ 1,156,624</u>	<u>\$ 157,960</u>	<u>\$ 287,913</u>	<u>\$ 5,946,746</u>

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COMPLIANCE SECTION

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

Honorable County Judge and
Members of the Commissioners' Court
Kaufman, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Kaufman County, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Kaufman County, Texas' basic financial statements, and have issued our report thereon dated June 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kaufman County, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kaufman County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Kaufman County, 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 Kaufman County, 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.

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

Waco, Texas
June 19, 2019