



Financial Statements
September 30, 2018

Taylor County, Texas

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Independent Auditor's Report

The Honorable Judge and Members of the Commissioners Court
Taylor County, Texas
Abilene, 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 Taylor County, Texas, (the County) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Change in Accounting Principle

As discussed in Notes 1 and 15 to the financial statements, the County has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which has resulted in a restatement of the net position as of October 1, 2017. Our opinions are 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 management's discussion and analysis and the budgetary comparison information together with the schedule of changes in net pension liability and related ratios, the schedule of employer contributions, and the schedule of changes in total OPEB liability and related ratios on pages 4-12 and 55-62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2019, on our consideration of Taylor County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Taylor County, Texas's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Abilene, Texas
March 12, 2019

This section of Taylor County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2018. Please read it in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- Taylor County's total combined net position was \$55.9 million at September 30, 2018. This represents an increase of \$722,074 from September 30, 2017 (as restated). Of this amount, \$20.5 million (unrestricted net position) may be used to meet the County's ongoing obligations.
- During the year, the County's expenses were \$722,074 less than the \$64.2 million generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$25.4 million; all but \$19,207 is available for spending at the government's discretion.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Statements

The government-wide statements are designed to provide readers with a broad overview of Taylor County's finances, using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Page 13) presents information on all of Taylor County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether Taylor County's financial position is improving or deteriorating when examined in conjunction with nonfinancial factors. The Statement of Activities (Page 14) presents information showing how the government'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.

Net position- the difference between the County's assets and liabilities- is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

Both of these government-wide financial statements are designed to distinguish functions of Taylor County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include general government, public safety, highways and streets, sanitation, economic development, culture and recreation. These activities are financed primarily by property taxes and grants. The County does not have any business-type activities.

Fund Financial Statements

The Fund Financial Statements provide more detailed information about Taylor County's most significant funds – not the County as a whole. Funds are groupings of related accounts that the County uses to keep track of specific sources of funding and spending for particular purposes. Taylor County, like other state and local governments, uses funds to show compliance with finance-related legal requirements as well as to control and manage money for other particular purposes.

The County has three types of funds:

- **Governmental funds**—Most of the County's basic services are included in governmental funds, which focus on short-term inflows and outflows of available resources and the balances of these resources that are available at the end of the year. 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. These reconciliations can be found on Pages 16 and 18 of the basic financial statements section.

The County maintains thirty-six individual governmental funds. Information is presented separately in the governmental fund statements for the general fund, contingency fund, road and bridge fund and Expo Center capital projects fund, all of which are considered to be major funds. Individual fund data for each of the thirty-two non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its funds. Budgetary comparison schedules have been provided in the Required Supplementary section to demonstrate compliance with this budget.

- **Proprietary funds** — Proprietary funds consist of two types of funds, enterprise and internal service funds. At this time, Taylor County has no enterprise funds. Internal service funds report activities that provide services and supplies for the County's other programs and activities. The individual internal service funds are combined into a single aggregate presentation in the proprietary fund financial statements on Pages 19-21. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.
- **Fiduciary funds** — The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Page 22. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Taylor County's combined net position were approximately \$55.9 million at September 30, 2018. The largest portion of the County's net position (57%) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment), less accumulated depreciation and any related outstanding debt. An additional portion of the County's net position (6%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

	Governmental Activities	
	September 30, 2018	September 30, 2017
Current and Other Assets	\$ 84,550,910	\$ 95,715,825
Capital Assets	47,132,977	37,954,565
Total assets	131,683,887	133,670,390
Deferred Outflows of Resources	3,377,614	7,588,783
Current Liabilities	5,924,040	6,905,893
Long Term Liabilities	71,140,962	76,870,077
Total liabilities	77,065,002	83,775,970
Deferred Inflows of Resources	2,126,830	765,022
Net Position		
Net Investment in Capital Assets	32,060,347	34,488,203
Restricted	3,269,560	2,826,652
Unrestricted	20,539,762	19,403,326
Total net position	\$ 55,869,669	\$ 56,718,181

Changes in Net Position

Taylor County's net position increased by approximately \$722 thousand during the current fiscal year.

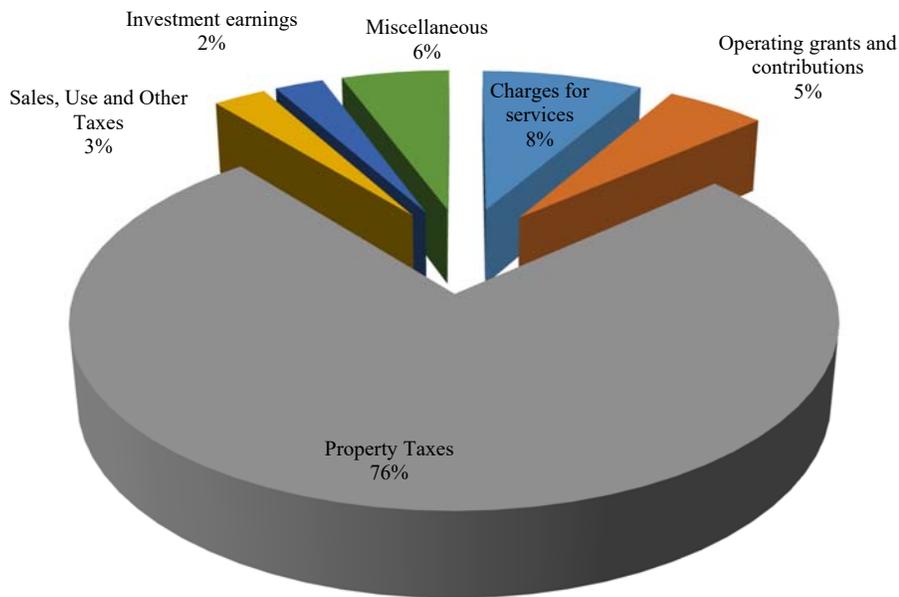
	Governmental Activities	
	September 30, 2018	September 30, 2017
Revenues		
Program revenues		
Charges for services	\$ 5,352,572	\$ 5,076,745
Operating grants and contributions	3,320,281	3,010,531
Capital Grants and Contributions	-	3,373,460
General revenues	-	-
Property taxes	48,561,211	41,538,784
Sales and use and other taxes	1,761,068	1,738,668
Investment earnings	1,621,942	762,077
Miscellaneous revenue	3,536,945	705,192
Settlement proceeds	-	96,000
Gain on sale of assets	46,722	126,299
Total revenues	<u>64,200,741</u>	<u>56,427,756</u>
Expenses		
General government	4,821,531	4,632,788
Financial administration	2,458,733	2,325,014
Judicial	8,343,328	7,822,943
Legal	3,299,661	3,314,118
Elections	429,710	392,946
Public facilities	2,678,380	3,043,942
Public safety	29,122,531	27,629,494
Road and bridge	6,253,885	7,200,396
Health and welfare	3,059,416	3,315,348
Conservation	631,649	586,595
Culture and recreation	2,580	36,770
Interest on long-term debt	2,377,263	918,253
Other Debt Service Cost	-	514,206
Total expenses	<u>63,478,667</u>	<u>61,732,813</u>
Change in net position	722,074	(5,305,057)
Beginning net position	56,718,181	62,023,238
Prior period adjustment	(1,570,586)	-
Beginning net position, as restated	<u>55,147,595</u>	-
Ending net position	<u>\$ 55,869,669</u>	<u>\$ 56,718,181</u>

Governmental Activities

Total revenues for the fiscal year ending September 30, 2018 were \$64.2 million. Approximately 78% of the County's revenue comes from taxes, with over 76% from property taxes alone. Property tax revenue increased 17% due to an increase in the tax base, and an increase in the tax rate for the cost of debt service.

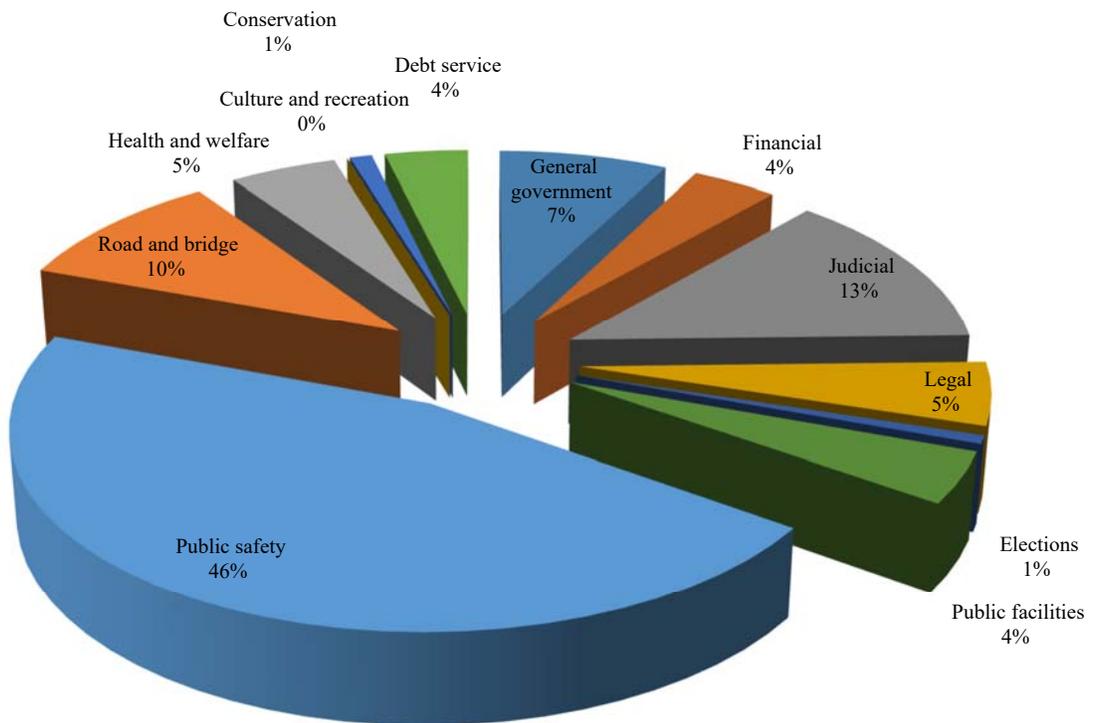
Expenditures increased by \$1.7 million from the prior year, due to the net effect of increases in public safety, general government cost and the cost associated with the interest on bonds outstanding.

Governmental Revenues by Source



The total cost for all programs and services totaled \$63.5 million for the year ended September 30, 2018. Of this amount, the largest operating services areas were public safety which totaled \$29.1 million or 46% of total expenses for the year, and road and bridge services which totaled \$6.3 million, or 10% of total expenses for the year. In the prior year, these two operating areas comprised 56% of total expenses. Costs related to judicial (13%) and general government (8%) continued to absorb a significant percentage of the County's total expenses for the current year.

Governmental Functional Expenses



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As of the end of the fiscal year, Taylor County's governmental funds reported a combined fund balance of \$77.2 million, a decrease of \$9,027,725 or 10% in comparison with the prior year. Approximately 33% of this total amount (\$25.3 million) is unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted or assigned, to indicate that it is not available for new spending because it has already been restricted or assigned to: 1) special purposes by virtue of special revenue funds (\$10.1 million), 2) retirement of bonded indebtedness (\$126 thousand), and 3) authorized construction (\$13 thousand) 4) authorized construction under bond issuance (39.7 million).

The General Fund is the chief operating fund of the County. At the end of the fiscal year, the total fund balance was \$25.4 million. Approximately \$25.38 million is unassigned. As a measure of the fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 51% of total General Fund expenditures.

Taylor County's General Fund balance increased by \$2 million during the current fiscal year.

General Fund Budgetary Highlights

Over the course of the year, the County revised its budget several times. With these adjustments, actual expenditures were \$914 thousand below final budgeted amounts. Positive variances from budgeted expenditures resulted from decreases in most expenditure categories. Resources available were \$2.6 million more than the final budgeted amount. The revenue increases were primarily from transfers into the general fund from other County funds from the general fund to reimburse previous operational deficiencies, as well as better than expected property tax revenues and intergovernmental revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2018, the County had invested \$47.1 million in a broad range of capital assets, including land, buildings, roads, bridges and equipment. This amount represents a net increase (including additions, retirements and adjustments) of \$9.2 million, or 24.2% over last year.

Major events affecting capital assets during the year were:

- Continued construction on Expo Center additions approved through the 2017 bond issuance.
- Various equipment and building improvement acquisitions.

More detailed information about the County's capital assets can be found in Note 6 on Page 35 of this report.

	Governmental Activities		Percent Change
	2018	2017	
Land	\$ 2,073,914	\$ 2,073,314	0.03%
Construction in Progress	16,454,044	3,555,721	362.75%
Buildings and Improvements	76,288,852	75,900,717	0.51%
Furniture and Equipment	8,125,014	7,791,306	4.28%
Vehicles and Heavy Equipment	12,576,294	11,910,956	5.59%
Infrastructure	70,512,665	70,512,665	0.00%
Total	186,030,783	171,744,679	8.32%
Total accumulated depreciation	(138,897,806)	(133,790,114)	3.82%
Net Capital Assets	\$ 47,132,977	\$ 37,954,565	24.18%

Long-Term Debt

At the end of the year, the County had \$72.8 million of long-term obligations.

	Governmental Activities		Percent Change
	2018	2017 (as Restated)	
Bonds Payable	\$ 48,180,000	\$ 48,320,000	0%
Premium on Bonds Payable	6,647,099	6,990,914	
Compensated Absences	920,221	788,101	17%
Total OPEB Obligation	10,460,322	9,130,999	15%
Net Pension Liability	6,607,135	13,409,169	-51%
Total	\$ 72,814,777	\$ 78,639,183	-7%

During the year, Taylor County's long-term obligations decreased by \$5.8 million.

The State limits the amount of general obligation debt that a County can issue to 25% of its total assessed valuation. The current debt limitation is \$1.84 billion, which is significantly higher than the County's outstanding general obligation debt.

More detailed information about the County's long-term liabilities can be found in Note 8 on Pages 37-38 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The net taxable appraised value used for the 2019 budget preparation is estimated to be up \$545 million, or 6.6% from 2018. Total values for Taylor County, without adjustments, were up 5.3%.
- The combined tax rate established for 2019 is \$.6091, an increase of \$.0060 from 2018. This increase is mainly driven by additional operational and public safety cost.
- Taylor County's unemployment rate in December 2018 was 3.2%, compared to 3.4 % in December 2017. The State unemployment rate in December 2018 was 3.7%.
- Inflationary trends in the region compare favorably to national indices.

These factors and others were taken into consideration when preparing the General Fund budget for the 2019 fiscal year.

Amounts available for appropriation in the General Fund budget are \$53,352,190, an increase of 8.8% over the 2018 budget of \$49,026,694. Property taxes and fees for services (with anticipated increases in these areas) are expected to lead to this increase.

Budgeted expenditures rose approximately 8.6% to \$54,011,994. The largest increments are increases in the function of law enforcement and corrections, legal expense related to higher CPS caseloads and methamphetamine cases, and the cost of indigent healthcare required by State mandate.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Taylor County's finances and to demonstrate the County's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Office of the Taylor County Auditor, 400 Oak Street, Suite 449, Abilene, TX 79602.

Taylor County, Texas
Statement of Net Position (Exhibit A-1)
September 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 27,821,240
Investments	13,143,588
Receivables (net of allowance for uncollectibles)	
Taxes	648,373
Other	2,124,558
Prepaid expenses	19,397
Restricted assets	
Restricted cash and cash equivalents	30,793,754
Restricted investments	10,000,000
Capital assets	
Land	2,073,914
Construction in progress	16,454,044
Infrastructure, net	535,602
Buildings and improvements, net	21,057,986
Vehicles and heavy equipment, net	2,792,183
Furniture and equipment, net	4,219,248
Total assets	131,683,887
Deferred outflows of resources	
Deferred outflows - pension	2,485,062
Deferred outflows - OPEB	892,552
Total deferred outflows	3,377,614
Liabilities	
Accounts payable and other current liabilities	2,912,259
Accrued interest payable	296,969
Payroll liabilities	560,907
Due to other governments	480,090
Noncurrent liabilities	
Due within one year	1,673,815
Due in more than one year	54,073,505
Net pension liability	6,607,135
Total OPEB liability	10,460,322
Total liabilities	77,065,002
Deferred inflows of resources	
Deferred inflows - pension	2,126,830
Net Position	
Net investment in capital assets	32,060,347
Restricted for	
Debt service	156,591
Technology	223,647
Security	203,541
Enabling legislation	1,972,324
Law enforcement	713,457
Unrestricted	20,539,762
Total net position	\$ 55,869,669

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions
		Charges for Services	Operating Grants and Contributions	
Primary Government				
Governmental activities				
General government	\$ 4,821,531	\$ 1,896,887	\$ 823,075	\$ -
Financial	2,458,733	438,989	-	-
Judicial	8,343,328	1,069,292	-	-
Legal	3,299,661	27,234	103,648	-
Elections	429,710	44,579	17,340	-
Public facilities	2,678,380	30,898	-	-
Public safety	29,122,531	407,076	2,304,191	-
Road and bridge	6,253,885	1,384,453	48,047	-
Health and welfare	3,059,416	-	23,980	-
Conservation	631,649	53,164	-	-
Culture and recreation	2,580	-	-	-
Interest and fees on long-term debt	2,377,263	-	-	-
Total governmental activities	<u>63,478,667</u>	<u>5,352,572</u>	<u>3,320,281</u>	<u>-</u>
Total primary government	<u>\$ 63,478,667</u>	<u>\$ 5,352,572</u>	<u>\$ 3,320,281</u>	<u>\$ -</u>

See Notes to Financial Statements

Taylor County, Texas
Statement of Activities (Exhibit A-2)
Year Ended September 30, 2018

	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
	Governmental Activities	Total
	\$ (2,101,569)	\$ (2,101,569)
	(2,019,744)	(2,019,744)
	(7,274,036)	(7,274,036)
	(3,168,779)	(3,168,779)
	(367,791)	(367,791)
	(2,647,482)	(2,647,482)
	(26,411,264)	(26,411,264)
	(4,821,385)	(4,821,385)
	(3,035,436)	(3,035,436)
	(578,485)	(578,485)
	(2,580)	(2,580)
	(2,377,263)	(2,377,263)
	(54,805,814)	(54,805,814)
	(54,805,814)	(54,805,814)
General revenues		
Property taxes, levied for general purposes	44,792,744	44,792,744
Property taxes, levied for debt purposes	3,768,467	3,768,467
Other taxes	1,761,068	1,761,068
Gain on sale of assets	46,722	46,722
Miscellaneous revenues	3,536,945	3,536,945
Investment earnings	1,621,942	1,621,942
	55,527,888	55,527,888
Total general revenues	55,527,888	55,527,888
Change in net position	722,074	722,074
Net position at beginning of year, originally reported	56,718,181	56,718,181
Prior period adjustment	(1,570,586)	(1,570,586)
Net position at beginning of year, as restated	55,147,595	55,147,595
Net position at end of year	\$ 55,869,669	\$ 55,869,669

	General Fund	Contingency Fund	Road and Bridge Fund
Assets			
Cash and cash equivalents	\$ 16,453,675	\$ 1,539,254	\$ 2,082,834
Investments	10,143,588	-	-
Receivables (net of allowances for uncollectibles)			
Property taxes	589,477	-	23,418
Other	718,524	-	59,761
Fines and fees	1,080,879	-	-
Due from other funds	93,200	-	85,511
Prepaid items	19,207	-	190
Restricted assets			
Restricted cash and cash equivalents	-	-	-
Restricted investments	-	-	-
Total assets	<u>\$ 29,098,550</u>	<u>\$ 1,539,254</u>	<u>\$ 2,251,714</u>
Liabilities, deferred inflows of resources and fund balances			
Liabilities			
Accounts payable and other current liabilities	\$ 1,112,680	\$ -	\$ 204,328
Payroll liabilities	513,003	-	37,807
Due to other funds	-	-	2,321
Due to other governments	480,090	-	-
Total liabilities	<u>2,105,773</u>	<u>-</u>	<u>244,456</u>
Deferred inflows of resources			
Unavailable revenue - property taxes	498,590	-	20,023
Unavailable revenue - fines and fees	1,080,879	-	-
Total deferred inflows of resources	<u>1,579,469</u>	<u>-</u>	<u>20,023</u>
Fund balances			
Nonspendable			
Prepaid items	19,207	-	190
Restricted for			
Debt service	-	-	-
Capital projects	-	-	-
Technology	-	-	-
Security	-	-	-
Enabling legislation	-	-	-
Law enforcement	-	-	-
Assigned for			
Road and bridge	-	-	1,987,045
Contingencies	-	1,539,254	-
Other purposes	-	-	-
Unassigned	25,394,101	-	-
Total fund balances	<u>25,413,308</u>	<u>1,539,254</u>	<u>1,987,235</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 29,098,550</u>	<u>\$ 1,539,254</u>	<u>\$ 2,251,714</u>

See Notes to Financial Statements

Taylor County, Texas
Balance Sheet – Governmental Funds (Exhibit A-3)
September 30, 2018

Expo Center Capital Project Funds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 5,591,917	\$ 25,667,680
-	3,000,000	13,143,588
-	35,478	648,373
133,151	120,807	1,032,243
-	-	1,080,879
-	195,000	373,711
-	-	19,397
30,793,754	-	30,793,754
10,000,000	-	10,000,000
<u>\$ 40,926,905</u>	<u>\$ 8,943,202</u>	<u>\$ 82,759,625</u>
\$ 1,185,331	\$ 56,738	\$ 2,559,077
-	10,097	560,907
-	371,390	373,711
-	-	480,090
<u>1,185,331</u>	<u>438,225</u>	<u>3,973,785</u>
-	29,600	548,213
-	-	1,080,879
<u>-</u>	<u>29,600</u>	<u>1,629,092</u>
-	-	19,397
-	126,991	126,991
39,741,574	12,895	39,754,469
-	223,647	223,647
-	203,541	203,541
-	1,972,324	1,972,324
-	713,457	713,457
-	-	1,987,045
-	-	1,539,254
-	5,255,726	5,255,726
-	(33,204)	25,360,897
<u>39,741,574</u>	<u>8,475,377</u>	<u>77,156,748</u>
<u>\$ 40,926,905</u>	<u>\$ 8,943,202</u>	<u>\$ 82,759,625</u>

Taylor County, Texas
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position (Exhibit A-4)
September 30, 2018

Total Fund Balance-Governmental Funds		\$ 77,156,748
<p>The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other governmental funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.</p>		
		1,811,814
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.</p>		
Governmental capital assets	186,030,783	
Accumulated depreciation	<u>(138,897,806)</u>	47,132,977
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable	(48,180,000)	
Premium on bonds payable	(6,647,099)	
Accrued interest payable	(296,969)	
Compensated absences	(920,221)	
Net pension liability	(6,607,135)	
Total OPEB liability	<u>(10,460,322)</u>	(73,111,746)
<p>Included in the items related to long-term liabilities is the recognition of the County's deferred outflow of resources, and deferred inflow of resources relating to its pension liability and OPEB liability.</p>		
Deferred inflow of resources - pension	(2,126,830)	
Deferred outflow of resources - pension	2,485,062	
Deferred outflow of resources - OPEB	<u>892,552</u>	1,250,784
<p>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.</p>		
Unavailable revenue - office fees receivable	1,080,879	
Unavailable revenue - property taxes	<u>548,213</u>	<u>1,629,092</u>
Net Position of Governmental Activities-Statement of Net Position		<u><u>\$ 55,869,669</u></u>

	General Fund	Contingency Fund	Road and Bridge Fund
Revenues			
Taxes			
Property taxes	\$ 43,098,752	\$ -	\$ 1,609,495
Other taxes	537,910	-	1,223,158
License and permits	674,670	-	1,666,830
Intergovernmental and grants	2,262,911	-	-
Fines and fees	3,901,008	-	60,260
Rents and recoveries	1,801	-	-
Investment earnings	610,008	21,802	28,896
Miscellaneous	149,112	-	57,183
Total revenues	<u>51,236,172</u>	<u>21,802</u>	<u>4,645,822</u>
Expenditures			
Current			
General government	4,119,742	-	-
Financial	2,400,310	-	-
Judicial	8,178,661	-	-
Legal	3,112,409	-	-
Elections	372,457	-	-
Public facilities	1,213,242	-	-
Public safety	25,625,729	-	-
Road and bridge	-	-	3,874,541
Health and welfare	2,979,742	-	-
Conservation	610,882	-	-
Culture and recreation	2,580	-	-
Debt service			
Debt principal	-	-	-
Debt interest and agent fees	-	-	-
Capital outlay			
Capital outlay	1,059,606	-	486,286
Total expenditures	<u>49,675,360</u>	<u>-</u>	<u>4,360,827</u>
Excess revenues over expenditures	1,560,812	21,802	284,995
Other financing sources (uses)			
Transfers in	485,980	-	-
Transfers out	-	-	-
Sale of property	-	-	46,722
Total other financing sources (uses)	<u>485,980</u>	<u>-</u>	<u>46,722</u>
Net change in fund balance	2,046,792	21,802	331,717
Fund balance at beginning of year	<u>23,366,516</u>	<u>1,517,452</u>	<u>1,655,518</u>
Fund balance at end of year	<u>\$ 25,413,308</u>	<u>\$ 1,539,254</u>	<u>\$ 1,987,235</u>

See Notes to Financial Statements

Taylor County, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds (Exhibit A-5)
Year Ended September 30, 2018

Expo Center Capital Project Funds	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 3,744,379	\$ 48,452,626
-	-	1,761,068
-	-	2,341,500
-	1,057,370	3,320,281
-	721,170	4,682,438
-	-	1,801
808,057	142,914	1,611,677
-	700,435	906,730
<u>808,057</u>	<u>6,366,268</u>	<u>63,078,121</u>
-	264,307	4,384,049
-	1,585	2,401,895
-	19,452	8,198,113
-	110,052	3,222,461
-	45,042	417,499
-	-	1,213,242
-	1,394,103	27,019,832
-	27,147	3,901,688
-	46,000	3,025,742
-	-	610,882
-	-	2,580
-	140,000	140,000
-	3,571,572	3,571,572
<u>12,898,323</u>	<u>84,778</u>	<u>14,528,993</u>
<u>12,898,323</u>	<u>5,704,038</u>	<u>72,638,548</u>
(12,090,266)	662,230	(9,560,427)
-	456,128	942,108
-	(456,128)	(456,128)
-	-	46,722
<u>-</u>	<u>-</u>	<u>532,702</u>
(12,090,266)	662,230	(9,027,725)
<u>51,831,840</u>	<u>7,813,147</u>	<u>86,184,473</u>
<u>\$ 39,741,574</u>	<u>\$ 8,475,377</u>	<u>\$ 77,156,748</u>

Taylor County, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities (Exhibit A-6)
Year Ended September 30, 2018

Net Change in Fund Balances -Total Governmental Funds \$ (9,027,725)

The County uses internal service funds to charge the costs of certain activities, such as self-insurance to appropriate functions in other governmental funds. The change in net position of these internal service funds are reported with governmental funds. The net effect of this consolidation is to increase net position. 1,223,207

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements.

Capital outlay	14,549,493	
Principal payments	140,000	14,689,493

Depreciation is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position. (5,371,081)

Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase. The County's unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's share of pension expense must be recognized.

Change in contributions made after measurement date	82,058	
Pension expense	254,447	336,505

Certain expenditures for the OPEB that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase. The County's unrecognized deferred inflows and outflows as of the measurement date must be amortized and the County's share of OPEB expense must be recognized.

Change in contributions made after measurement date	102,661	
OPEB expense	(737,952)	(635,291)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.

Decrease in office fines and fees receivable	(1,663,808)	
Increase in unavailable tax revenues	108,585	
Decrease in bond interest payable	850,494	
Amortization of bond premium	343,815	
Increase in compensated absences	(132,120)	(493,034)

Change in Net Position of Governmental Activities-Statement of Activities \$ 722,074

Taylor County, Texas
Statement of Net Position – Proprietary Funds (Exhibit A-7)
September 30, 2018

	<u>Governmental Activities</u> Internal Service Funds <u> </u>
Assets	
Current assets	
Cash and cash equivalents	\$ 2,153,560
Accounts receivable	<u>11,436</u>
Total assets	<u>2,164,996</u>
Liabilities	
Current liabilities	
Accounts payable	270,620
Accrued liabilities	<u>82,562</u>
Total liabilities	<u>353,182</u>
Net position	
Unrestricted	<u>1,811,814</u>
Total net position	<u><u>\$ 1,811,814</u></u>

Taylor County, Texas

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds (Exhibit A-8)
Year Ended September 30, 2018

	Governmental Activities <u>Internal Service Funds</u>
Operating revenues	
Charges for services	\$ 6,410,948
Total operating revenues	6,410,948
Operating expenses	
Contract services	1,807,835
Claims	5,525,047
Total operating expenses	7,332,882
Operating loss	(921,934)
Nonoperating revenues (expenses)	
Investment earnings	10,265
Refunds	2,620,856
Total nonoperating revenues	2,631,121
Income before transfers	1,709,187
Transfers	
Transfers in	50,000
Transfers out	(535,980)
Net transfers	(485,980)
Change in net position	1,223,207
Net position at beginning of year	588,607
Net position at end of year	<u>\$ 1,811,814</u>

Taylor County, Texas
Statement of Cash Flows – Proprietary Funds (Exhibit A-9)
Year Ended September 30, 2018

	Governmental Activities <u>Internal Service Funds</u>
Operating activities	
Cash received from interfund services provided	\$ 6,545,831
Cash payments for claims	(5,250,506)
Cash payments for insurance premiums	<u>(1,807,835)</u>
Net cash used for operating activities	<u>(512,510)</u>
Non-capital financing activities	
Transfers, net	(835,980)
Refunds	<u>2,620,856</u>
Net cash from non-capital financing activities	<u>1,784,876</u>
Investing activities	
Interest and dividends	<u>10,265</u>
Net cash from investing activities	<u>10,265</u>
Change in cash and cash equivalents	1,282,631
Cash and cash equivalents - beginning of year	<u>870,929</u>
Cash and cash equivalents - end of year	<u><u>\$ 2,153,560</u></u>
Reconciliation of operating income/(loss) to net cash used in operating activities	
Operating loss	\$ (921,934)
Net change in	
Accounts receivable	134,883
Prepaid expenses	90,485
Claims payable	<u>184,056</u>
Total adjustments	<u>409,424</u>
Net cash used for operating activities	<u><u>\$ (512,510)</u></u>

Taylor County, Texas
Statement of Fiduciary Net Position – Fiduciary Funds (Exhibit A-10)
September 30, 2018

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 6,132,227
Due from other funds	16,170
Accounts receivable	<u>33,046</u>
Total assets	<u><u>\$ 6,181,443</u></u>
Liabilities	
Accounts payable	\$ 286,194
Due to other funds	16,170
Due to others	<u>5,879,079</u>
Total liabilities	<u><u>\$ 6,181,443</u></u>

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The County of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and V.A.C.S. Taylor County (the County) operates under a county judge/commissioners court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units.

The Commissioners' Court has governance responsibilities over all activities related to Taylor County, Texas. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental "reporting entity" as defined by authoritative guidance. There are no component units included within the reporting entity. The criteria for including organizations as component units within the County's reporting entity, as set forth in GAAP include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporation powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County
- the exclusion of the organization would result in misleading or incomplete financial statements

The County provides the following services to its citizens: public safety (law enforcement and detention, fire and ambulance), public transportation (roads and bridges), health and welfare (pauper care, health clinic facilities, meals for the elderly and indigent health care), culture and recreation facilities, conservation, public facilities, judicial and legal, election functions, and general and financial administrative services.

Government-wide and Fund Financial Statements

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

The Statement of Activities presents a comparison between expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include: a) fees, fines and charges paid by the recipients of goods or services offered by the program, and b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from agency funds on the government-wide Statement of Net Position.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

The government-wide financial statements use 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 the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become measurable and available. Available means collectible within the current period or expected to be collected within 60 days after year end and be used to pay liabilities of the current period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property tax revenues and sales tax receipts are considered measurable and available when collected by the respective intermediary collecting agency and recognized as revenue at that time. Property tax revenues are considered measurable at the time of levy and are recognized as unearned revenue and taxes receivable, net of an allowance for estimated uncollectible taxes, at that time. Property tax revenues are considered available if collected within 60 days subsequent to year end. However, the amount of taxes collected in the period 60 days subsequent to year end are considered immaterial and not recorded as current year revenue. All tax collections expected to be received subsequent to year end are, therefore, reported as unearned revenues. Licenses and permits, fines and forfeits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded on the accrual basis in all funds.

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures or expenses are recorded. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and State grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

Fund Accounting

The County reports the following major governmental funds:

General Fund – The General Fund is the County’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Contingency Fund – The Contingency Fund is a capital projects fund that is used to account for monies for renovation projects within the Courthouse, the courthouse security, and unforeseen, unbudgeted major repairs or replacements.

Road and Bridge Fund – The Road and Bridge Fund is a special revenue fund that is used to account for resources used by the County in connection with providing transportation services to its citizens.

Expo Center Capital Projects Fund – The Expo Center Capital Projects Fund accounts for proceeds from long-term financing and revenue and expenditures related to authorized construction and other capital asset acquisitions, specifically relating to the Expo Center.

Additionally, the County reports the following non-major fund types:

Governmental Funds

Non-Major Special Revenue Funds – The County uses these funds to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are restricted, committed, or assigned to expenditures for specified purposes.

Capital Projects Funds – The County uses these funds to account for proceeds from long-term financing and revenue and expenditures related to authorized construction and other capital asset acquisitions.

Debt Service Fund – The County uses this fund to account for the accumulation of resources for, and the payment of, general long term debt principal, interest and related costs.

Proprietary Funds

Internal Service Funds – The County uses these funds to account for the financing of goods or services provided by one department or other departments of the County, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds – The County accounts for resources held for others in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a “Property Tax Code” and provides, among other things, for the establishment of county wide appraisal districts and for the State Property Tax Board which commenced operation on January 1, 1980.

As of October 1, 1981, the appraisal of property within the County was the responsibility of the Central Appraisal District (the Appraisal District) of Taylor County. The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property. However, if the effective tax rates for bonds and other contractual obligations and adjusted for new improvements exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

Through a contractual arrangement with the County, the Central Appraisal District of Taylor County is responsible for the collection of taxes. The Appraisal District is governed by a Board of Directors elected by the governing bodies of the taxing entities within the Appraisal District. The Board of Directors appoints a Chief Appraiser to act as Chief Administrator of the Appraisal District and an Appraisal Review Board to equalize appraised values.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to \$0.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt.

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

The County has adopted a policy to record all delinquent taxes in the General Fund at year end. The County's general obligation bonds require an annual tax levy sufficient to pay principal and interest on the bonds with full allowance being made for delinquent taxes. The bond ordinances require that the Debt Service Fund be funded from actual tax receipts as received. The later collection of delinquent taxes, after the current year funding requirements have been satisfied, will be in excess of the actual requirements for the payment of the bonds. Therefore, such delinquent taxes are deposited in the County's General Fund after the County has met the annual requirements for the payment of the bonds.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. In the fund financial statements, they are offset by nonspendable fund balance which indicates they do not represent "available spendable resources."

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Generally, a capitalization threshold of \$5,000 is used.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction is included as part of the capitalized value of the assets constructed. There was no capitalized interest during the current fiscal year.

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

Buildings and Improvements	20-30
Furniture and Equipment	5-12
Vehicles and Heavy Equipment	5-12
Infrastructure	20-35

Receivables and Payables Balances

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

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

Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

1. Leave or compensation is attributable to services already rendered
2. Leave or compensation is not contingent on specific event (such as illness)

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued as long-term debt in the government-wide statements.

Upon termination from the County employment, an employee that has completed six months of employment shall be entitled to payment for total accrued but unused days of vacation. Comp time earned, but not taken, is paid at termination, but cannot accumulate beyond County specified limits. Once the maximum number of compensatory hours has been accumulated, employees are paid immediately for any additional compensatory hours earned. Sick leave accrues at a rate of 10 hours per month or 120 hours per year up to a maximum of 480 hours, but compensation is paid only for illness-related absences. Unused sick leave is non-vesting and will not be paid on termination, thus vacation and comp time is the only accrued compensation liabilities recorded.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

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. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will 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 deferred outflows of resources related to its pension and OPEB plans for changes in assumptions and the difference between projected and actual earnings for its pension plan and contributions made to the pension and OPEB plans after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has deferred inflows of resources for the differences between expected and actual experience related to its pension plan and for unavailable revenue, which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and fines and fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions

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

OPEB

The fiduciary net position 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 outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from the fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no assets accumulated in a trust fund for the OPEB plan.

Implementation of GASB Statement No. 75

As of October 1, 2017, the County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the costs and obligations associated with postemployment benefits other than pensions (OPEB) in their basic financial statements. Employers are required to recognize OPEB amounts for all benefits provided through the plan which include the total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. The effect of the implementation of this standard on beginning net position is disclosed in Note 15 and the additional disclosures required by this standard is included in Note 13.

Note 2 - Stewardship, Compliance and Accountability

The County Judge and the County Auditor submit an annual budget to the Commissioners Court in accordance with the laws of the State of Texas. The budget is presented to the Commissioners Court for review, budget workshops are held with the various County department officials, and public hearings are held to address priorities and the allocation of resources. In August, the Commissioners Court adopts the annual fiscal year budgets for all County operating funds. Once approved, the Commissioners Court may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's approved budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personnel services and related fringe benefits, supplies, other services and charges, capital outlay, transfers, and debt service. Expenditures may not exceed appropriations at the department level.

Within this control level, management may transfer appropriations between line items. Budget revisions and the line item transfers are subject to final review by the Commissioners Court. Revisions to the budget were made throughout the year.

The budgets for the operating funds are prepared on the cash and expenditure basis. Revenues are budgeted in the year receipt is expected; and expenditures, which do not include encumbrances, are budgeted in the year that the liability is incurred. The Debt Service Fund budget is prepared to provide funding for general obligation debt service when liabilities are due for payment. The budget and actual required supplementary information is presented on these bases. Unexpended appropriations for annually budgeted funds lapse at fiscal year-end.

Note 3 - Fair Value Measurements

GASB Statement No. 72, Fair Value Measurement and Application, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach – uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Note 4 - Deposits and Investments

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

A. Investments

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance.

At September 30, 2018, the carrying amount of the County's deposits (cash, certificates of deposit, and temporary investments) was:

	<u>Amortized Cost</u>	<u>Maturity</u>	<u>Credit Quality Rating</u>
TexPool	\$ 43,882,947	< 60 days - Weighted Avg.	AAAm
TexTerm	15,001,126	< 60 days - Weighted Avg.	AAAm
Total cash in First Financial Bank	14,730,920		N/A
Certificates of deposit	<u>2,468,216</u>	1 - 5 years	N/A
	<u><u>\$ 76,083,209</u></u>		

Investment valuation techniques are used to determine fair value. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Municipal bond: Valued at the closing price reported on the active market on which the individual securities are traded.

U.S. Government Backed Securities: Valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the County's assets at fair value as of September 30, 2018:

Assets at Fair Value as of September 30, 2018				
	Level 1	Level 2	Level 3	Total
Municipal bond	\$ -	\$ 2,935,248	\$ -	\$ 2,935,248
U.S. Government Backed Securities	-	2,740,125	-	2,740,125
	\$ -	\$ 5,675,373	\$ -	\$ 5,675,373

The County has a financial arrangement with its bank and TexPool whereby TexPool will transfer funds to the bank to cover any shortfalls in the operating account.

The Public Funds Investment Act (the Act), (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the County to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County is in substantial compliance with the requirements of the Act and with local policies.

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accounts. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The reported value of the pool is the same as the fair value of the pool shares. TexPool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Audited financial statements of the Pool are available online. In addition, TexPool is subject to review by the State Auditor's Office and by the Internal Auditor of the Comptroller's Office.

B. Investment Accounting Policy

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk – Deposits

This is the risk that in the event of bank failure, the County’s deposits may not be returned to it. The County’s policy regarding types of deposits allowed and collateral requirements is for the safekeeping bank to provide minimum collateral of 110% of the County deposits. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2018 were covered by depository insurance or by pledged collateral held by the County’s agent bank in the County’s name.

Custodial Credit Risk – Investments

This is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

Diversification by investment type shall be established by the following maximum percentages of investment types to the total County investment portfolio at the time of each investment transaction:

a.)	U.S. Treasury Bills/Notes/Bonds	100%
b.)	U.S. Agencies and Instrumentalities	85%
c.)	States, Counties, Cities, and Other	50%
d.)	Certificates of Deposit	100%
e.)	Money Market Mutual Funds	80%
f.)	Eligible Investment Pools	100%

Interest Rate Risk

In order to minimize risk of loss due to interest rate fluctuations, investment maturities will not exceed the anticipated cash flow requirements of the funds. The weighted average days to maturity for the operating fund portfolio shall be less than 270 days and the maximum allowable maturity shall be no longer than two years. General Fund balances at the end of the fiscal year shall have a maximum allowable maturity not to exceed three years. The maximum maturity for all construction or capital improvement funds shall not be more than five years. County funds that are considered “bond proceeds” for arbitrage purposes shall have a maximum maturity not to exceed one year. Special revenue funds are legally restricted to expenditures for a particular purpose under the direction of a certain department. They may be invested in compliance with this Policy and all applicable laws, subject to cash flow requirements with maximum maturity not to exceed three years. Agency funds are to be invested not to exceed ninety days. Registry funds maturity are not to exceed court order limits.

Other Credit Risk

There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County invests only in issues permitted by state law. To minimize credit risk, TexPool's investment policy allows the portfolio's investment manager to only invest in obligations of the U.S. Government, its agencies; repurchase agreements; and no-load AAAM money market mutual funds registered with the SEC. TexPool is rated AAAM by Standard & Poor's. It is the County's policy to diversify its portfolio to eliminate the risk of loss resulting from the concentration of assets in a specific maturity, a specific issuer, or a specific class of investments.

Note 5 - Receivables

Receivables at year end, including the applicable allowances for uncollectible accounts, are as follows:

	Property Taxes	Other Receivables	Fines and Fees	Total Receivables
Governmental Funds				
General fund	\$ 1,004,592	\$ 718,524	\$ 18,014,657	\$ 19,737,773
Road and bridge fund	39,909	59,761	-	99,670
Expo center capital projects fund	-	133,151	-	133,151
Non-major governmental funds	53,864	120,807	-	174,671
Gross receivables	1,098,365	1,032,243	18,014,657	20,145,265
Less: allowance for uncollectibles	(449,992)	-	(16,933,778)	(17,383,770)
Total governmental funds	<u>\$ 648,373</u>	<u>\$ 1,032,243</u>	<u>\$ 1,080,879</u>	<u>\$ 2,761,495</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ (548,213)</u>	<u>\$ -</u>	<u>\$ (1,080,879)</u>	<u>\$ (1,629,092)</u>
Internal service funds	<u>\$ -</u>	<u>\$ 11,436</u>	<u>\$ -</u>	<u>\$ 11,436</u>
Total internal service funds	<u>\$ -</u>	<u>\$ 11,436</u>	<u>\$ -</u>	<u>\$ 11,436</u>

Note 6 - Capital Assets

Capital asset activity for the period ended September 30, 2018 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities				
Non-depreciable assets				
Land	\$ 2,073,314	\$ 600	\$ -	\$ 2,073,914
Construction in progress	3,555,721	12,898,323	-	16,454,044
Total non-depreciable assets	5,629,035	12,898,923	-	18,527,958
Depreciable assets				
Buildings and improvements	75,900,717	388,135	-	76,288,852
Furniture and equipment	7,791,306	414,218	80,510	8,125,014
Vehicles and heavy equipment	11,910,956	848,217	182,879	12,576,294
Infrastructure	70,512,665	-	-	70,512,665
Total depreciable assets	166,115,644	1,650,570	263,389	167,502,825
Total at historic cost	171,744,679	14,549,493	263,389	186,030,783
Less accumulated depreciation				
Buildings and improvements	52,568,712	2,662,154	-	55,230,866
Furniture and equipment	3,594,571	391,705	80,510	3,905,766
Vehicles and heavy equipment	9,374,908	592,082	182,879	9,784,111
Infrastructure	68,251,923	1,725,140	-	69,977,063
Total accumulated depreciation	133,790,114	5,371,081	263,389	138,897,806
Governmental activities capital assets, net	<u>\$ 37,954,565</u>	<u>\$ 9,178,412</u>	<u>\$ -</u>	<u>\$ 47,132,977</u>

Depreciation was charged to functions as follows:

General administration	\$ 228,021
Financial	4,865
Judicial	5,197
Elections	3,143
Public safety	1,373,468
Public facilities	1,453,613
Road and bridge	2,297,476
Health and welfare	1,790
Conservation	3,508
	<u>\$ 5,371,081</u>

The estimated cost to complete the construction in progress as of September 30, 2018, was \$707,433.

Note 7 - Interfund Balances and Activity

A. Due to and From Other Funds

Balances due to and due from other funds at September 30, 2018, consisted of the following:

Due to nonmajor special revenue funds from:	
Road and bridge fund	\$ 2,321
Nonmajor special revenue funds	192,679
Due from other funds	<u>\$ 195,000</u>
Due to general fund from:	
Nonmajor special revenue funds	\$ 93,200
Due from other funds	<u>\$ 93,200</u>
Due to road & bridge fund from:	
Nonmajor special revenue funds	\$ 85,511
Due from other funds	<u>\$ 85,511</u>

Due to and due from other funds are interfund receivables and payables that reflect either short term borrowing or payroll clearing accounts between funds.

B. Transfers to and From Other Funds

Transfers to and from other funds at September 30, 2018, consisted of the following:

Transfers from internal service funds to:	
General fund	\$ 485,980
	<u>\$ 485,980</u>
Transfers from nonmajor special revenue funds to:	
Nonmajor special revenue funds	\$ 456,128
	<u>\$ 456,128</u>

Transfers from the general fund provide additional funding for special projects and support for internal service functions. Transfers from nonmajor special revenue funds were to release forfeited assets as directed under final judgement to appropriate agencies and departments.

Note 8 - Long-Term Obligations

The County's long-term debt consists of general obligation bonds. Other long-term debt consists of the accrued liability for employee vested compensated absences.

A. Bonds

On January 24, 2017, the County issued \$48,320,000 in Limited Tax Obligation Bonds, Series 2017 to fund the construction for the Taylor County Coliseum and Fair Grounds (Expo Center). Interest is due semi-annually at 5%. The bonds mature serially through 2039.

The following table summarizes the annual debt requirements of the outstanding bond issues at September 30, 2018, to maturity:

Year Ending September 30	Total Principal	Total Interest	Total Requirements
2019	\$ 1,330,000	\$ 2,375,750	\$ 3,705,750
2020	1,400,000	2,307,500	3,707,500
2021	1,470,000	2,235,750	3,705,750
2022	1,545,000	2,160,375	3,705,375
2023	1,625,000	2,081,125	3,706,125
2024-2028	9,455,000	9,068,125	18,523,125
2029-2033	12,145,000	6,381,625	18,526,625
2034-2038	15,595,000	2,931,125	18,526,125
2039	3,615,000	90,375	3,705,375
Total	\$ 48,180,000	\$ 29,631,750	\$ 77,811,750

Current requirements for bonded indebtedness of the County are accounted for in the Debt Service Fund.

Taylor County, Texas has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of Taylor County, Texas.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2018, are as follows:

	Beginning Balance (as restated)	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds, loans and leases payable					
General obligation bonds	\$ 48,320,000	\$ -	\$ 140,000	\$ 48,180,000	\$ 1,330,000
	48,320,000	-	140,000	48,180,000	1,330,000
Other liabilities					
Premium on bonds payable	6,990,914	-	343,815	6,647,099	343,815
Compensated absences	788,101	132,120	-	920,221	-
Net pension liability	13,409,169	-	6,802,034	6,607,135	-
Total OPEB liability	9,130,999	1,329,323	-	10,460,322	-
Total other liabilities	30,319,183	1,461,443	7,145,849	24,634,777	343,815
Total Governmental Activities					
Long-term liabilities	\$ 78,639,183	\$ 1,461,443	\$ 7,285,849	\$ 72,814,777	\$ 1,673,815

Note 9 - Compensated Absences

Accumulated unpaid annual leave amounts are not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the government-wide financial statements. At September 30, 2018, accrued employee benefits recorded as general long-term debt were for annual vacation pay, holiday pay, and comp pay and amounted to \$920,221.

Note 10 - Risk Management

The County has established a Self-Insurance Fund and an Employee Benefits Fund to separately report the activities of the County's general law enforcement professional liability, health, life and property insurance and worker's compensation plans.

General Liability

The County's liability insurance is a self-insured plan. The County informally budgets for current claims based on historical data. The County incurred \$149,867, \$15,488, and \$2,027,956, for liability claims during the years ended September 30, 2018, 2017, and 2016, respectively. There were no unpaid claims at September 30, 2018.

Health Insurance

The County's health insurance program is a "self-insured" minimum premium cash flow plan. The County and each covered employee make a pre-determined monthly contribution to the plan. All claims are reviewed and processed by an independent insurance company. The insurance company pays claims based on the health plan, and the County reimburses the insurance company for the amount of each claim paid. The insurance company charges the County a fee for each claim processed.

The County informally budgets for current claims based on actuarial valuations and current health care statistics. Funding covers both the cost of claims and administrative expenses. The County paid \$5,375,180, \$4,707,084, and \$4,878,442, in health claims, and paid \$340,267, \$1,069,319, and \$956,098, for administrative costs, for the years ended September 30, 2018, 2017, and 2016, respectively. The County contributed \$5,121,041, \$4,571,062, and \$4,184,416, and County employees contributed \$924,097, \$847,777, and \$793,938, to the health insurance program for the years ended September 30, 2018, 2017, and 2016, respectively. Retirees and other agency contributions were \$365,810, \$329,339, and \$280,850, for the years ended September 30, 2018, 2017, and 2016, respectively. Previous years' funds were utilized in funding the health insurance program.

Estimated health claims that have been incurred but not reported are accrued at year-end. The following is a walk-forward of the activity in the estimated liability account and claims payable for the years ended September 30, 2018, 2017, and 2016.

Year Ending September 30	Accrued Liability Beginning of Year	Claims Expense	Payments	Accrued Liability End of Year
2016	\$ 143,338	6,872,183	6,880,738	\$ 134,783
2017	134,783	4,813,057	4,778,714	169,126
2018	169,126	5,434,562	5,250,506	353,182

Worker's Compensation

The County's worker's compensation plan is administered by the Texas Association of Counties (TAC), a joint insurance fund, in which the County is a member. TAC reviews and processes all worker's compensation claims. The County informally budgets for current claims based on actuarial valuations and historical data. The County incurred \$133,898, \$184,979, and \$179,068, in worker's compensation claims for the years ended September 30, 2018, 2017, and 2016. Estimated liabilities for claims that have been incurred but not reported are accrued at year-end. The estimated liability for worker's compensation claims was \$41,610, \$17,315, and \$14,850, at September 30, 2018, 2017, and 2016, respectively.

Summary

The Self-Insurance Fund has net position available for the purpose of funding all self-insurance programs, other than health, in the amount of \$125,552 at September 30, 2018. In the opinion of management, net position is adequate to meet probable claim contingencies at September 30, 2018. The Employee Benefits Fund has a net position of \$1,686,262.

Note 11 - Retirement Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of 760 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or at <https://www.tcdrs.org>.

Benefits Provided

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or 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 8 years 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. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the County’s Board within certain guidelines.

Membership

County membership in the TCDRS plan at December 31, 2017 consisted of the following:

Inactive Employees’ Accounts	
Receiving benefits	321
Entitled to but not yet receiving benefits	505
	826
Total	826
Active Employees’ Accounts	656

Contributions

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Contribution Rates	2017	2018
Member	7.00%	7.00%
Employer	10.15%	10.15%
Employer contributions	\$ 2,603,268	\$2,766,179
Member contributions	\$ 1,777,845	\$1,889,094

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
Actuarial cost method	Entry age normal
Amortization method	Level
Remaining amortization period	8.2 years
Asset valuation method	5 year smoothed market
Discount rate	8.10%
Long-term expected investment rate of return*	8.10%
Salary increases*	4.90%, average
Payroll growth rate	1.50%

**Includes inflation of 3%*

The plan does not have an automatic cost-of-living adjustment and one is not considered to be substantively automatic under GASB No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plan may elect an ad-hoc COLA for its retirees.

Disability rates for males and females were as follows:

Age	Male and Female Occupational	Male and Female All Other Causes
28-29	-	0.00008
30	-	0.00009
31-32	-	0.00010
33	-	0.00011
34	-	0.00014
35	-	0.00018
36	0.00001	0.00022
37	0.00001	0.00028
38	0.00002	0.00033
39	0.00002	0.00038
40	0.00002	0.00042
41	0.00003	0.00047
42	0.00003	0.00053
43	0.00004	0.00058
44	0.00004	0.00063
45	0.00004	0.00069
46	0.00005	0.00076
47	0.00006	0.00084
48	0.00007	0.00095
49	0.00009	0.00109
50	0.00010	0.00125
51	0.00012	0.00142
52	0.00013	0.00162
53	0.00015	0.00183
54	0.00018	0.00203
55	0.00018	0.00222
56	0.00018	0.00238
57	0.00018	0.00250
58	0.00018	0.00259
59	0.00018	0.00270
60 and above	0.00018	-

Mortality rates for depositing members were based on 90% of the RP-2014 Active Employee Mortality Table for males and females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Service retirees, beneficiaries, and non-depositing members were based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014. Disabled retirees were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the MP-2014 Disabled Annuitant Mortality Table for females as appropriate, with adjustments, projected with 110% of the MP-2014 Ultimate Scale after 2014.

Service retirement rates for males and females were as follows:

Age	Male and Female
40-44	0.450
45-49	0.090
50	0.010
51-53	0.009
54-57	0.100
58-61	0.120
62	0.200
63-64	0.150
65-66	0.250
67	0.220
68-69	0.200
70-74	0.220
75 & Over	1.000

The actuarial assumptions were developed from an actuarial experience investigation of TCDRS over the years 2013 - 2016. Assumptions were recommended by Milliman, Inc., adopted by the TCDRS Board of Trustees in 2017 and first used in the December 31, 2017 actuarial valuation.

There were no changes in methods reflected in the December 31, 2017 actuarial valuation. The following changes in actuarial assumptions were reflected in the December 31, 2017 actuarial valuation:

- Inflation assumptions decreased from 3.00% per year to 2.75% per year, with a corresponding decrease in the general wage growth assumption from 3.5% to 3.25%.
- Slightly adjusted all mortality rates to better reflect anticipated experience.
- Adjusted retirement rates to reflect people retiring at older ages.
- Lowered disability retirement rates.
- Adjustments made to termination rates.
- Lowered probability of withdrawal of contributions upon termination.
- Adjusted merit salary scale to reflect anticipated future experience.
- Adjusted payroll increase assumption to reflect the changes in the general wage growth assumption and to reflect changes in anticipated experience.

Discount Rate

The discount rate used to measure the total pension liability was 8.1%. There was no change in the discount rate since the previous year.

In order to determine the discount rate to be used, we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.

2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.0%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is based on a 30-year time horizon; the most recent analysis was performed in 2017 based on the period January 1, 2013 – December 31, 2016. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Benchmark	Target Allocation ^a	Geometric Real Rate of Return (Expected minus Inflation) ^b
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity and Venture Capital Index ^c	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities – Developed	MSCI World Ex USA (net)	10.00%	4.70%
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%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index ^d	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) 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 ^e	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

^a Target asset allocation adopted at the April 2018 TCDRS Board meeting.

^b Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumptions.

^c Includes vintage years 2006 – present of Quarter Pooled Horizon IRRs.

^d Includes vintage years 2005 – present of Quarter Pooled Horizon IRRs.

^e Includes vintage years 2007 – present of Quarter Pooled Horizon IRRs.

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

At September 30, 2018, the County reported a net pension liability of \$6,607,135 for its net pension liability measured at December 31, 2017. For the year ended September 30, 2018, the County recognized pension expense of \$2,511,732.

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

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

Changes in the net pension liability for the year ended December 31, 2017 are as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances at December 31, 2016	\$ 112,262,589	\$ 98,853,420	\$ 13,409,169
Changes for the year			
Service cost	2,707,901	-	2,707,901
Interest on total pension liability ^f	9,080,821	-	9,080,821
Effect of plan changes ^g	-	-	-
Effect of economic/demographic gains or losses	(12,806)	-	(12,806)
Effect of assumptions changes or inputs	398,394	-	398,394
Refund of contributions	(410,548)	(410,548)	-
Benefit payments	(5,426,258)	(5,426,258)	-
Administrative expenses	-	(74,479)	74,479
Member contributions	-	1,889,094	(1,889,094)
Net investment income	-	14,410,175	(14,410,175)
Employer contributions	-	2,766,179	(2,766,179)
Other ^h	-	(14,625)	14,625
Balances as of December 31, 2017	<u>\$ 118,600,093</u>	<u>\$ 111,992,958</u>	<u>\$ 6,607,135</u>

^fReflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

^gNo plan changes valued.

^hRelates to the allocation of system-wide items.

Discount Rate Sensitivity Analysis

The following presents the net pension liability / (asset) of the County, calculated using the discount rate of 8.10%, 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 (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease (7.10%)	Discount Rate (8.10%)	1% Increase (9.10%)
Total pension liability	\$ 133,352,582	\$ 118,600,093	\$ 106,119,025
Fiduciary net position	111,992,958	111,992,958	111,992,958
Net pension liability / (asset)	<u>\$ 21,359,624</u>	<u>\$ 6,607,135</u>	<u>\$ (5,873,933)</u>

At December 31, 2017, the County reported its deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 417,230	\$ -
Changes of assumptions	-	592,238
Net difference between projected and actual earnings	1,709,600	-
Contributions paid to TCDRS subsequent to the measurement date	-	1,892,824
Total	<u>\$ 2,126,830</u>	<u>\$ 2,485,062</u>

\$1,892,824 reported as deferred outflows of resources related to pensions resulting from contribution subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended September 30, 2019. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended September 30	
2019	\$ 479,668
2020	289,125
2021	(1,089,800)
2022	(1,213,585)
2023	-
Thereafter	-
Total	<u>\$ (1,534,592)</u>

Note 12 - Fund Balance

The County classifies governmental fund balance in the following categories:

Nonspendable fund balance includes fund balance that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. At September 30, 2018, the County had \$19,397 in nonspendable fund balance for prepaid items and inventories.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Debt service fund balance restricted for the retirement of funded indebtedness totaled \$126,991 as of September 30, 2018. Fund balance restricted for capital projects totaled \$39,754,469 as of September 30, 2018. Special revenue fund balance restricted for specific programs included technology, security, enabling legislation, and law enforcement and totaled \$223,647, \$203,541, \$1,972,324, and \$713,457, respectively, as of September 30, 2018.

Committed fund balance is established and modified by a resolution from the Commissioners Court and can be used only for the specified purposes determined by the Court's resolution. At September 30, 2018, the County had no committed fund balance.

Assigned fund balance is intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed. Fund balance can be assigned by the Commissioners Court or by a Court designee. At September 30, 2018, the County had \$1,987,045 in fund balance assigned for road and bridge, \$1,539,254 assigned for contingencies and \$5,255,726 for other purposes.

Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications, as well as negative unassigned fund balance in other governmental funds.

The County uses restricted amounts first when both restricted and unrestricted fund balances are available. Additionally, the County would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when the expenditures are made.

The County aims to maintain the following minimum fund balances:

General fund: Unassigned fund balance of approximately 20-30% of budgeted expenditures for the fiscal year, to be used for unanticipated needs.

Debt service funds: Restricted fund balances of approximately 25-50% of the following year's debt service requirements, to be used for debt service.

Note 13 - Postemployment Healthcare Benefits

Plan Description

The County provides certain health care benefits through a single-employer defined benefit OPEB plan. Permanent full-time employees who retire under TCDRS eligibility rules are eligible to participate in the County’s health care plan as a retiree at their own expense. The retiree pays 100% of the premiums for the insurance. Members are eligible at any age with 30 years of service or at age 60 with 8 years of service or when the retirees age plus years of service equals 75. Spouses and dependents of retirees are also eligible. As of the date of the latest actuarial valuation, the County has 504 active employees and 40 retirees participating in the plan.

When a regular, full-time employee retires and is currently enrolled in the health care plan, they are eligible to continue to participate in the County’s group health insurance and prescription plans. Members who terminate employment prior to retirement are not eligible for retiree health care benefits.

Texas Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to the Commissioners Court. The plan is not administered by a trust and there are no assets accumulated in a trust.

Contributions

The funding policy of the plan is to ensure that adequate resources are available to meet the required insurance premiums for the upcoming year. It is not the intent of the funding policy to pre-fund retiree health insurance during employees’ entire careers. Total contributions paid by the County equaled \$295,291 for the year ended December 31, 2017.

Benefits Provided

Retirees may purchase retiree health care coverage through the County’s health care plan as a retiree and for eligible spouses and dependents at their own expense. Surviving spouses and dependents of deceased retired members may continue retiree health care coverage up to age 65 for spouses and to age 25 for dependents.

Spouse and/or dependent must be on the plan prior to retirement of the employee. Retirees are required to enroll in Medicare Parts A and B once eligible.

Membership

Inactive Employees’ Accounts	
Receiving benefits	41
Entitled to but not yet receiving benefits	-
	-
Total	41
Active Employees’ Accounts	526

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
Actuarial cost method	Individual entry-age
Amortization method	Level as a percentage of payroll
Remaining amortization period	30 years, open period
Asset valuation method	Market value
Inflation	2.50%
Discount rate	3.31%
Long-term expected investment rate of return	3.31%
Salary increases*	0.50% to 5.00%
Payroll growth rate	3.00%
Health care trend rates	Pre-65: 7.50% in 2017 decreasing to 5.25% in 11 years Post-65: 6.5% in 2017 decreasing to 4.25% in 15 years
Participate rates	50% for employees who retire prior to age 65 20% for employees who retire after age 65

**Not including inflation of 3.25%*

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far in the future. Examples include assumptions about future employment, mortality, and the health care cost trends. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Mortality rates for healthy retirees were based on the gender-distinct RP-2014 Healthy Annuitant Mortality Tables with rates for males multiplied by 130% and rates for females multiplied by 110%. For healthy retirees, the valuation employs fully generational mortality projections based on 110% of the ultimate rates of Scale MP-2014. Mortality rates for disabled retirees were based on the gender-distinct RP-2014 Disabled Annuitant Mortality Tables with rates for males multiplied by 130% and rates for females multiplied by 115%. For disabled retirees, the valuation employs fully generational mortality projections based on 110% of the ultimate rates of Scale MP-2014. Mortality rates for active members were based on the gender-distinct RP-2014 Employee Annuitant Mortality Tables with rates for males and females multiplied by 90%. For active members, the valuation employs fully generational mortality projections based on 110% of the ultimate rates of Scale MP-2014.

Disability rates for males and females were as follows:

Ordinary Disability		
Age	Male	Female
25	0.000%	0.000%
30	0.009	0.009
35	0.018	0.018
40	0.042	0.042
45	0.069	0.069
50	0.125	0.125
55	0.222	0.222
60	0.000	0.000

Duty Disability		
Age	Male	Female
25	0.000%	0.000%
30	0.000	0.000
35	0.001	0.001
40	0.002	0.002
45	0.004	0.004
50	0.010	0.010
55	0.018	0.018
60	0.018	0.018

Service retirement rates for males and females were as follows:

Age	Male and Female
40-44	4.5%
45-49	9.0
50	10.0
51-53	9.0
54-57	10.0
58-61	12.0
62	20.0
63-64	15.0
65-66	25.0
67	22.0
68-69	20.0
70-74	22.0
75	100.0

The actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2017, were based on results of an actuarial experience study for the period January 1, 2013 – December 31, 2016 as conducted by TCDRS.

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.31% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”). The discount rate was 3.81% as of the prior measurement date.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2018, the County reported a total OPEB liability of \$10,460,322 measured at December 31, 2017. For the year ended September 30, 2018, the County recognized OPEB expense of \$1,033,243.

There was a change in the discount rate from 3.81% as of December 31, 2016, to 3.31% as of December 31, 2017.

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 for the measurement year ended December 31, 2017 are as follows:

Changes in Total OPEB Liability	Total OPEB Liability
Balances at December 31, 2016, as restated	\$ 9,130,999
Changes for the year	
Service cost	604,648
Interest on the total OPEB liability	353,784
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	-
Changes of assumptions	666,182
Benefit payments	(295,291)
Balances as of December 31, 2017	\$ 10,460,322

At December 31, 2017 the County reported its deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ -	\$ -
Changes of assumptions	-	591,371
Contributions subsequent to the measurement date	-	301,181
	-	301,181
Total	\$ -	\$ 892,552

\$301,181 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 ended September 30, 2019. The other net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB, excluding contributions made subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year ended September 30	
2019	\$ 74,811
2020	74,811
2021	74,811
2022	74,811
2023	74,811
Thereafter	217,316
	217,316
Total	\$ 591,371

Discount Rate Sensitivity Analysis

The following presents the total OPEB liability of the County, calculated using the discount rate of 3.31%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate.

	1% Decrease (2.31%)	Discount Rate (3.31%)	1% Increase (4.31%)
Total OPEB liability	\$ 11,999,904	\$ 10,460,322	\$ 9,186,163

Healthcare Cost Trend Rate Sensitivity Analysis

The following presents the total OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the total OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB liability	\$ 8,845,297	\$ 10,460,322	\$ 12,544,336

Note 14 - Other Retirement and Miscellaneous Benefits

The County makes available to all of its full-time employees a deferred compensation plan under Internal Revenue Code Section 457. The County does not contribute to this plan. All contributions are made by employees who elect to participate in the plan. The County remits employee contributions to the plan trustee on a regular basis. The County does not administer the Section 457 plan, nor does it provide investment advice to the plan. Accordingly, the Section 457 plan is not part of the County's reporting entity.

Note 15 - Prior Period Adjustment

As of October 1, 2017, the County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position of governmental activities was restated to retroactively remove the prior OPEB liability reported under GASB Statement No. 45 and adopt the provisions of GASB Statement No. 75 to report the beginning total OPEB liability and deferred outflows of resources related to contributions made after the measurement date as follows:

	Governmental Activities
Net position at September 30, 2017, as previously reported	\$ 56,718,181
Remove previously reported OPEB liability reported under GASB Statement No. 45	7,361,893
Add total OPEB liability under GASB Statement No. 75 at September 30, 2017	(9,130,999)
Deferred outflows of resources related to contributions made during the year ended September 30, 2017	198,520
Net position at October 1, 2017, as restated	\$ 55,147,595



Required Supplementary Information
September 30, 2018

Taylor County, Texas

Taylor County, Texas
 Budgetary Comparison Schedule – General Fund (Exhibit B-1)
 Year Ended September 30, 2018

	Budget Amounts			Variance from Final Budget
	Original Budget	Final Budget	Actual	
Revenues				
Taxes				
Property taxes	\$ 42,246,173	\$ 42,246,173	\$ 43,098,752	\$ 852,579
Other taxes	495,000	495,000	537,910	42,910
License and permits	582,000	582,000	674,670	92,670
Intergovernmental and grants	1,483,906	1,484,506	2,262,911	778,405
Fines and fees	3,527,450	3,552,450	3,901,008	348,558
Rents and recoveries	1,728	1,728	1,801	73
Investment earnings	451,087	451,087	610,008	158,921
Miscellaneous	239,350	342,455	149,112	(193,343)
Total revenues	49,026,694	49,155,399	51,236,172	2,080,773
Expenditures				
Current				
General government	3,951,020	3,782,837	4,119,742	(336,905)
Financial	2,664,662	2,706,310	2,400,310	306,000
Judicial	8,092,510	8,380,776	8,178,661	202,115
Legal	3,216,942	3,236,772	3,112,409	124,363
Elections	398,591	398,591	372,457	26,134
Public facilities	1,359,691	1,438,154	1,213,242	224,912
Public safety	24,974,714	24,979,097	25,625,729	(646,632)
Road and bridge	500	-	-	-
Health and welfare	4,205,464	4,731,579	2,979,742	1,751,837
Conservation	558,757	660,273	610,882	49,391
Culture and recreation	313,165	274,892	2,580	272,312
Capital outlay				
Capital outlay	-	-	1,059,606	(1,059,606)
Total expenditures	49,736,016	50,589,281	49,675,360	913,921
Excess revenues over expenditures	(709,322)	(1,433,882)	1,560,812	2,994,694
Other financing sources				
Transfers in (out)	-	-	485,980	485,980
Total other financing sources (uses)	-	-	485,980	485,980
Net change in fund balance	(709,322)	(1,433,882)	2,046,792	3,480,674
Fund balance at beginning of year	23,366,516	23,366,516	23,366,516	-
Fund balance at end of year	\$ 22,657,194	\$ 21,932,634	\$ 25,413,308	\$ 3,480,674

Taylor County, Texas
 Budgetary Comparison Schedule – Road and Bridge Fund (Exhibit B-2)
 Year Ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes				
Property taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,609,495	\$ 109,495
Other taxes	-	-	1,223,158	1,223,158
Licenses and permits	2,760,000	2,760,000	1,666,830	(1,093,170)
Intergovernmental and grants	178,515	262,650	-	(262,650)
Fines and fees	-	-	60,260	60,260
Investment earnings	7,000	7,000	28,896	21,896
Other revenue	-	-	57,183	57,183
Total revenues	<u>4,445,515</u>	<u>4,529,650</u>	<u>4,645,822</u>	<u>116,172</u>
Expenditures				
Current				
Road and bridge	4,537,899	4,999,576	3,874,541	1,125,035
Capital outlay				
Capital outlay	-	-	486,286	(486,286)
Total expenditures	<u>4,537,899</u>	<u>4,999,576</u>	<u>4,360,827</u>	<u>638,749</u>
Excess revenues over expenditures	(92,384)	(469,926)	284,995	754,921
Other financing sources				
Sale of property	-	-	46,722	46,722
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>46,722</u>	<u>46,722</u>
Net change in fund balance	(92,384)	(469,926)	331,717	801,643
Fund balance at beginning of year	<u>1,655,518</u>	<u>1,655,518</u>	<u>1,655,518</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,563,134</u>	<u>\$ 1,185,592</u>	<u>\$ 1,987,235</u>	<u>\$ 801,643</u>

Taylor County, Texas
Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System
(Exhibit B-3)
September 30, 2018

	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015	Year Ended December 31, 2014
Total Pension Liability				
Service cost	\$ 2,707,901	\$ 2,839,411	\$ 2,602,761	\$ 2,529,603
Interest on total pension liability	9,080,821	8,515,412	8,064,473	7,629,311
Effect of plan changes	-	-	(403,314)	-
Effect of assumption changes or inputs	398,394	-	1,094,092	-
Effect of economic/demographic (gains) or losses	(12,806)	(195,799)	(681,221)	(693,909)
Benefit payments/refunds of contributions	(5,836,806)	(5,165,273)	(4,619,338)	(4,320,808)
Net change in total pension liability	6,337,504	5,993,751	6,057,453	5,144,197
Total pension liability, beginning	112,262,589	106,268,838	100,211,385	95,067,188
Total pension liability, ending (a)	<u>\$ 118,600,093</u>	<u>\$ 112,262,589</u>	<u>\$ 106,268,838</u>	<u>\$ 100,211,385</u>
Fiduciary Net Position				
Employer contributions	\$ 2,766,179	\$ 2,603,268	\$ 2,479,326	\$ 2,288,264
Member contributions	1,889,094	1,777,845	1,695,794	1,591,328
Investment income net of investment expenses	14,410,175	6,862,327	431,691	6,017,830
Benefit payments/refunds of contributions	(5,836,806)	(5,165,273)	(4,619,338)	(4,320,808)
Administrative expenses	(74,479)	(74,547)	(66,784)	(69,597)
Other	(14,625)	132,837	(195,479)	(309,813)
Net change in fiduciary net position	13,139,538	6,136,457	(274,790)	5,197,204
Fiduciary net position, beginning	98,853,420	92,716,963	92,991,753	87,794,549
Fiduciary net position, ending (b)	<u>\$ 111,992,958</u>	<u>\$ 98,853,420</u>	<u>\$ 92,716,963</u>	<u>\$ 92,991,753</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 6,607,135</u>	<u>\$ 13,409,169</u>	<u>\$ 13,551,875</u>	<u>\$ 7,219,632</u>
Fiduciary net position as a percentage of total pension liability	94.43%	88.06%	87.25%	92.80%
Pensionable covered payroll	\$ 26,987,062	\$ 25,397,782	\$ 24,225,635	\$ 22,733,251
Net pension liability as a percentage of covered payroll	24.48%	52.80%	55.94%	31.76%

Taylor County, Texas

Schedule of Employer Contributions – Texas County and District Retirement System (Exhibit B-4)

September 30, 2018

Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2008	\$ 1,552,416	\$ 1,552,416	\$ -	\$ 17,884,977	8.7%
2009	1,594,723	1,594,723	-	18,586,511	8.6%
2010	1,748,497	1,915,577	(167,080)	20,284,194	9.4%
2011	1,872,115	1,913,488	(41,373)	20,686,358	9.2%
2012	1,780,807	1,942,512	(161,705)	21,000,084	9.3%
2013	1,929,162	1,993,828	(64,666)	21,554,883	9.3%
2014	2,117,298	2,117,298	-	22,240,501	9.5%
2015	2,288,264	2,288,264	-	22,733,251	10.1%
2016	2,171,561	2,191,985	(20,424)	24,225,635	9.0%
2017	2,291,049	2,339,300	(48,251)	25,397,782	9.2%
2018	2,460,393	2,460,393	-	24,240,325	10.2%

Taylor County, Texas
Schedule of Changes in Total OPEB Liability and Related Ratios (Exhibit B-5)
September 30, 2018

	Year Ended December 31, 2017
Total OPEB Liability	
Service cost	\$ 604,648
Interest on total OPEB liability	353,784
Changes of benefit terms	-
Difference between expected and actual experience of the total OPEB liability	-
Changes of assumptions	666,182
Benefit payments	<u>(295,291)</u>
Net change in total OPEB liability	1,329,323
Total OPEB liability, beginning	<u>9,130,999</u>
Total OPEB liability, ending	<u>\$ 10,460,322</u>
Covered-employee payroll	\$ 22,596,834
Total OPEB liability as a percentage of covered-employee payroll	46.29%

Note: No assets are accumulated in a trust that meet the criteria in GASB Statement No. 74, paragraph 4 for the OPEB plan.

Note: GASB No. 75 requires ten years of information to be presented in this table. However, until ten years of data is available, the County will present information for those years for which information is available.

Note 1 - Budgetary Information

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

1. The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures and the means of financing them for the succeeding year, and delivers the proposed budget to Commissioners Court.
2. Commissioners Court holds budget sessions with each department head.
3. Commissioners Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.
4. Commissioners Court formally adopts the budget in the open court meeting.
5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.
6. The formally adopted budget may legally be amended by commissioners in accordance with article 689A 11 or 689A 20 of Vernon's Annotated Civil Statutes.
7. Annual budgets are legally adopted for the General Fund, Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund. The budgets are adopted on a basis consistent with generally accepted accounting principles.
8. An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about September 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2018 budget were approved by the Commissioners Court as provided by law.
9. Unencumbered appropriation balances lapse at year end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

The County had negative budget to actual variances in the following fund:

The General Fund had a negative budget variance in general government, public safety and capital outlay. General government showed a budget variance of \$336,905 and public safety showed a budget variance of \$646,632 because of various account overages. Capital outlay shows a budget variance of \$1,059,606 because the related capital outlay was budgeted in various functions, whereas capital outlay is reported on a separate line item in the financial statements.

The Road and Bridge Fund had a negative budget variance in capital outlay. Capital outlay shows a budget variance of \$486,286 because the related capital outlay was budgeted in various functions, whereas capital outlay is reported on a separate line item in the financial statements.

Note 2 - Net Pension Liability – Texas County & District Retirement System

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	8.2 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 services 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 of Benefit Terms

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

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.

Note 3 - Total OPEB Liability

Assumptions

The following methods and assumptions were used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years, open period
Asset valuation method	Market value
Inflation	2.50%
Discount rate	3.31%
Salary increases	0.50% to 5.00%, not including wage inflation of 3.25%
Investment rate of return	3.31%, 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 services retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. 90% of the RP-2014 Employee Annuitant Table for active males and females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Changes in Assumption

There was a change in the discount rate from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

Changes of Benefit Terms

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

Changes in the Size or Composition of the Population Covered by the Benefit Terms

There were no changes in the size or composition of the population covered by the benefit terms during the measurement period.



Combining Statements
September 30, 2018

Taylor County, Texas

Taylor County, Texas
Combining Balance Sheet – Nonmajor Governmental Funds (Exhibit C-1)
September 30, 2018

	General Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
Assets				
Cash and cash equivalents	\$ 12,895	\$ 5,457,909	\$ 121,113	\$ 5,591,917
Investments	-	3,000,000	-	3,000,000
Accounts receivable-net				
Property taxes	-	-	35,478	35,478
Other	-	120,807	-	120,807
Due from other funds	-	195,000	-	195,000
	<u>12,895</u>	<u>8,773,716</u>	<u>156,591</u>	<u>8,943,202</u>
Total assets	\$ 12,895	\$ 8,773,716	\$ 156,591	\$ 8,943,202
Liabilities				
Accounts payable	\$ -	\$ 56,738	\$ -	\$ 56,738
Payroll liabilities	-	10,097	-	10,097
Due to other funds	-	371,390	-	371,390
	<u>-</u>	<u>438,225</u>	<u>-</u>	<u>438,225</u>
Total liabilities	-	438,225	-	438,225
Deferred inflows of resources				
Unavailable revenue - property taxes	-	-	29,600	29,600
	<u>-</u>	<u>-</u>	<u>29,600</u>	<u>29,600</u>
Total deferred inflows of resources	-	-	29,600	29,600
Fund Balances				
Restricted for				
Debt service	-	-	126,991	126,991
Capital projects	12,895	-	-	12,895
Technology	-	223,647	-	223,647
Security	-	203,541	-	203,541
Enabling legislation	-	1,972,324	-	1,972,324
Law enforcement	-	713,457	-	713,457
Assigned for				
Other purposes	-	5,255,726	-	5,255,726
Unassigned	-	(33,204)	-	(33,204)
	<u>12,895</u>	<u>8,335,491</u>	<u>126,991</u>	<u>8,475,377</u>
Total fund balances	12,895	8,335,491	126,991	8,475,377
	<u>\$ 12,895</u>	<u>\$ 8,773,716</u>	<u>\$ 156,591</u>	<u>\$ 8,943,202</u>
Total liabilities, deferred inflows of resources and fund balances	\$ 12,895	\$ 8,773,716	\$ 156,591	\$ 8,943,202

Taylor County, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental
Funds (Exhibit C-2)
Year Ended September 30, 2018

	General Capital Projects Funds	Special Revenue Funds	Debt Service Funds	Total Nonmajor Funds
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ 3,744,379	\$ 3,744,379
Intergovernmental and grants	-	1,057,370	-	1,057,370
Fines and fees	-	721,170	-	721,170
Investment earnings	183	128,498	14,233	142,914
Miscellaneous	-	700,435	-	700,435
Total revenues	183	2,607,473	3,758,612	6,366,268
Expenditures				
Current				
General government	-	264,307	-	264,307
Financial	-	1,585	-	1,585
Judicial	-	19,452	-	19,452
Legal	-	110,052	-	110,052
Elections	-	45,042	-	45,042
Public safety	-	1,394,103	-	1,394,103
Road and bridge	-	27,147	-	27,147
Health and welfare	-	46,000	-	46,000
Debt service				-
Debt principal	-	-	140,000	140,000
Debt interest and agent fees	-	-	3,571,572	3,571,572
Capital outlay				-
Capital outlay	-	84,778	-	84,778
Total expenditures	-	1,992,466	3,711,572	5,704,038
Excess (deficiency) of revenues over (under) expenditures	183	615,007	47,040	662,230
Other financing sources (uses)				
Transfers in	-	456,128	-	456,128
Transfers out	-	(456,128)	-	(456,128)
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	183	615,007	47,040	662,230
Fund balances at beginning of year	12,712	7,720,484	79,951	7,813,147
Fund balances at end of year	\$ 12,895	\$ 8,335,491	\$ 126,991	\$ 8,475,377

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk Restricted Fees	Commissioners Special NAR
Assets					
Cash and cash equivalents	\$ 522,801	\$ 934,149	\$ 319,343	\$ 403,175	\$ 11,218
Investments	2,000,000	-	1,000,000	-	-
Accounts receivable (net)	4,162	728	13,830	2,398	-
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 2,526,963</u>	<u>\$ 934,877</u>	<u>\$ 1,333,173</u>	<u>\$ 405,573</u>	<u>\$ 11,218</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ 9,694	\$ -	\$ -
Payroll liabilities	-	-	-	-	-
Due to other funds	30,000	-	-	-	-
Total liabilities	30,000	-	9,694	-	-
Fund balance					
Restricted for					
Technology	-	-	-	-	-
Security	-	-	-	-	-
Enabling legislation	-	-	1,323,479	405,573	-
Law enforcement	-	-	-	-	-
Assigned for					
Other purposes	2,496,963	934,877	-	-	11,218
Unassigned	-	-	-	-	-
Total fund balance	<u>2,496,963</u>	<u>934,877</u>	<u>1,323,479</u>	<u>405,573</u>	<u>11,218</u>
Total liabilities and fund balance	<u>\$ 2,526,963</u>	<u>\$ 934,877</u>	<u>\$ 1,333,173</u>	<u>\$ 405,573</u>	<u>\$ 11,218</u>

Taylor County, Texas
Combining Balance Sheet – Nonmajor Special Revenue Funds (Exhibit C-3)
September 30, 2018

VIT Escrow	Restricted Fees	JP PRC 1-1 Technology Fee	JP PRC 1-1 Security Fee	JP PRC 1-2 Technology Fee	JP PRC 1-2 Security Fee	JP PRC 2 Technology Fee
\$ 57,308	\$ -	\$ 46,080	\$ 2,275	\$ 25,430	\$ -	\$ 40,758
-	-	-	-	-	-	-
8,412	-	24	24	72	72	-
-	-	-	-	-	-	-
<u>\$ 65,720</u>	<u>\$ -</u>	<u>\$ 46,104</u>	<u>\$ 2,299</u>	<u>\$ 25,502</u>	<u>\$ 72</u>	<u>\$ 40,758</u>
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	JP PRC 2 Security Fee	JP PRC 3 Technology Fee	JP PRC 3 Security Fee	JP PRC 4 Technology Fee	JP PRC 4 Security Fee
Assets					
Cash and cash equivalents	\$ 79,871	\$ 63,307	\$ 103,606	\$ -	\$ 17,629
Investments	-	-	-	-	-
Accounts receivable (net)	-	124	124	12	12
Due from other funds	-	-	-	-	-
	<u>79,871</u>	<u>63,307</u>	<u>103,606</u>	<u>-</u>	<u>17,629</u>
Total assets	<u>\$ 79,871</u>	<u>\$ 63,431</u>	<u>\$ 103,730</u>	<u>\$ 12</u>	<u>\$ 17,641</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 15	\$ -
Payroll liabilities	-	-	-	-	-
Due to other funds	-	109	-	1,513	-
	<u>-</u>	<u>109</u>	<u>-</u>	<u>1,513</u>	<u>-</u>
Total liabilities	-	109	-	1,528	-
Fund balance					
Restricted for					
Technology	-	63,322	-	-	-
Security	79,871	-	103,730	-	17,641
Enabling legislation	-	-	-	-	-
Law enforcement	-	-	-	-	-
Assigned for					
Other purposes	-	-	-	-	-
Unassigned	-	-	-	(1,516)	-
	<u>79,871</u>	<u>63,322</u>	<u>103,730</u>	<u>(1,516)</u>	<u>17,641</u>
Total fund balance	<u>79,871</u>	<u>63,322</u>	<u>103,730</u>	<u>(1,516)</u>	<u>17,641</u>
Total liabilities and fund balance	<u>\$ 79,871</u>	<u>\$ 63,431</u>	<u>\$ 103,730</u>	<u>\$ 12</u>	<u>\$ 17,641</u>

Taylor County, Texas
Combining Balance Sheet – Nonmajor Special Revenue Funds (Exhibit C-3)
September 30, 2018

County Clerk Technology Fee	Dist Clerk Technology Fee	District Attorney Special	D.A. Narcotic Forfeiture	D.A. Narcotic Seizure	Election Service Contract	Juvenile Jury Fund
\$ 34,088	\$ 13,995	\$ 70,847	\$ 642,872	\$ 359,223	\$ 159,057	\$ 44,048
-	-	-	-	-	-	-
18	175	-	-	-	327	-
-	-	-	-	-	-	-
<u>\$ 34,106</u>	<u>\$ 14,170</u>	<u>\$ 70,847</u>	<u>\$ 642,872</u>	<u>\$ 359,223</u>	<u>\$ 159,384</u>	<u>\$ 44,048</u>
\$ -	\$ -	\$ 262	\$ -	\$ 2,100	\$ 2,241	\$ 17,993
-	-	-	-	-	16	-
-	-	-	-	-	-	-
-	-	262	-	2,100	2,257	17,993
34,106	14,170	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	70,585	642,872	-	-	-
-	-	-	-	357,123	157,127	26,055
-	-	-	-	-	-	-
<u>34,106</u>	<u>14,170</u>	<u>70,585</u>	<u>642,872</u>	<u>357,123</u>	<u>157,127</u>	<u>26,055</u>
<u>\$ 34,106</u>	<u>\$ 14,170</u>	<u>\$ 70,847</u>	<u>\$ 642,872</u>	<u>\$ 359,223</u>	<u>\$ 159,384</u>	<u>\$ 44,048</u>

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Seizure	Sheriff Forfeiture
Assets					
Cash and cash equivalents	\$ 231,803	\$ 890,437	\$ 17,278	\$ 38,406	\$ 139,187
Investments	-	-	-	-	-
Accounts receivable (net)	11,439	3,854	75,000	-	-
Due from other funds	-	195,000	-	-	-
Total assets	\$ 243,242	\$ 1,089,291	\$ 92,278	\$ 38,406	\$ 139,187
Liabilities					
Accounts payable	\$ 11,259	\$ 10,383	\$ 2,476	\$ -	\$ 122
Payroll liabilities	9,608	-	473	-	-
Due to other funds	239,655	-	-	-	-
Total liabilities	260,522	10,383	2,949	-	122
Fund balance					
Restricted for					
Technology	-	-	-	-	-
Security	-	-	-	-	-
Enabling legislation	-	-	-	-	139,065
Law enforcement	-	-	-	-	-
Assigned for					
Other purposes	-	1,078,908	89,329	38,406	-
Unassigned	(17,280)	-	-	-	-
Total fund balance	(17,280)	1,078,908	89,329	38,406	139,065
Total liabilities and fund balance	\$ 243,242	\$ 1,089,291	\$ 92,278	\$ 38,406	\$ 139,187

Taylor County, Texas
Combining Balance Sheet – Nonmajor Special Revenue Funds (Exhibit C-3)
September 30, 2018

Lateral Roads	Total Nonmajor Special Revenue Funds
\$ 189,718	\$ 5,457,909
-	3,000,000
-	120,807
-	195,000
\$ 189,718	\$ 8,773,716
\$ -	\$ 56,738
-	10,097
85,511	371,390
85,511	438,225
-	223,647
-	203,541
104,207	1,972,324
-	713,457
-	5,255,726
-	(33,204)
104,207	8,335,491
\$ 189,718	\$ 8,773,716

	Settlement Proceeds	Errors and Omissions	County Clerk Restricted Fees	Dist Clerk Restricted Fees	Commissioners Special NAR
Revenues					
Intergovernmental and grants	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and fees	-	-	507,148	50,861	-
Investment earnings	41,016	13,092	25,031	-	100
Other revenues	79,589	20,754	-	-	-
Total revenues	120,605	33,846	532,179	50,861	100
Expenditures					
Current					
General government	-	-	264,307	-	-
Financial	-	-	-	-	-
Judicial	-	-	-	-	-
Legal	-	-	-	-	-
Elections	-	-	-	-	-
Public safety	-	-	-	-	-
Road and bridge	-	-	-	-	-
Health and welfare	46,000	-	-	-	-
Capital outlay					
Capital outlay	-	-	-	-	-
Total expenditures	46,000	-	264,307	-	-
Excess (deficit) of revenues over expenditures	74,605	33,846	267,872	50,861	100
Other financing sources (uses)					
Transfers in	-	-	-	-	5,149
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	5,149
Net change in fund balance	74,605	33,846	267,872	50,861	5,249
Fund balances at beginning of year	2,422,358	901,031	1,055,607	354,712	5,969
Fund balances at end of year	<u>\$ 2,496,963</u>	<u>\$ 934,877</u>	<u>\$ 1,323,479</u>	<u>\$ 405,573</u>	<u>\$ 11,218</u>

Taylor County, Texas
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue
 Funds (Exhibit C-4)
 Year Ended September 30, 2018

VIT Escrow	Restricted Fees	JP PRC 1-1 Technology Fee	JP PRC 1-1 Security Fee	JP PRC 1-2 Technology Fee	JP PRC 1-2 Security Fee	JP PRC 2 Technology Fee
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	2,153	2,507	4,691	4,696	3,871
9,241	-	-	-	-	-	-
-	-	-	-	-	-	-
9,241	-	2,153	2,507	4,691	4,696	3,871
-	-	-	-	-	-	-
1,585	-	-	-	-	-	-
-	-	3,192	539	5,104	63	2,798
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,585	-	3,192	539	5,104	63	2,798
7,656	-	(1,039)	1,968	(413)	4,633	1,073
-	-	46,965	331	25,793	-	39,670
-	(393,519)	-	-	-	(19,041)	-
-	(393,519)	46,965	331	25,793	(19,041)	39,670
7,656	(393,519)	45,926	2,299	25,380	(14,408)	40,743
58,064	393,519	-	-	-	-	-
\$ 65,720	\$ -	\$ 45,926	\$ 2,299	\$ 25,380	\$ (14,408)	\$ 40,743

	JP PRC 2 Security Fee	JP PRC 3 Technology Fee	JP PRC 3 Security Fee	JP PRC 4 Technology Fee	JP PRC 4 Security Fee
Revenues					
Intergovernmental and grants	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and fees	3,869	3,378	3,376	1,575	1,575
Investment earnings	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	3,869	3,378	3,376	1,575	1,575
Expenditures					
Current					
General government	-	-	-	-	-
Financial	-	-	-	-	-
Judicial	371	2,837	406	790	-
Legal	-	-	-	-	-
Elections	-	-	-	-	-
Public safety	-	-	-	-	-
Road and bridge	-	-	-	-	-
Health and welfare	-	-	-	-	-
Capital outlay					
Capital outlay	-	-	-	-	-
Total expenditures	371	2,837	406	790	-
Excess (deficit) of revenues over expenditures	3,498	541	2,970	785	1,575
Other financing sources (uses)					
Transfers in	76,373	62,781	100,760	-	16,066
Transfers out	-	-	-	(2,301)	-
Total other financing sources (uses)	76,373	62,781	100,760	(2,301)	16,066
Net change in fund balance	79,871	63,322	103,730	(1,516)	17,641
Fund balances at beginning of year	-	-	-	-	-
Fund balances at end of year	\$ 79,871	\$ 63,322	\$ 103,730	\$ (1,516)	\$ 17,641

Taylor County, Texas
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue
 Funds (Exhibit C-4)
 Year Ended September 30, 2018

County Clerk Technology Fee	Dist Clerk Technology Fee	District Attorney Special	D.A. Narcotic Forfeiture	D.A. Narcotic Seizure	Election Service Contract	Juvenile Jury Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,340	\$ -
3,192	2,314	27,026	-	-	58,436	-
-	-	1,048	9,251	4,298	1,779	606
-	-	-	-	184,512	-	145
3,192	2,314	28,074	9,251	188,810	77,555	751
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,676	1,676	-	-	-	-	-
-	-	31,138	45,373	33,541	-	-
-	-	-	-	-	45,042	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,676	1,676	31,138	45,373	33,541	45,042	-
1,516	638	(3,064)	(36,122)	155,269	32,513	751
32,590	13,532	-	14,642	-	-	-
-	-	-	-	(41,267)	-	-
32,590	13,532	-	14,642	(41,267)	-	-
34,106	14,170	(3,064)	(21,480)	114,002	32,513	751
-	-	73,649	664,352	243,121	124,614	25,304
<u>\$ 34,106</u>	<u>\$ 14,170</u>	<u>\$ 70,585</u>	<u>\$ 642,872</u>	<u>\$ 357,123</u>	<u>\$ 157,127</u>	<u>\$ 26,055</u>

	Juvenile Probation Grants	Juvenile Local	Jail Commissary	Task Force Seizure	Sheriff Forfeiture
Revenues					
Intergovernmental and grants	\$ 993,104	\$ 12,500	\$ -	\$ -	\$ -
Fines and fees	-	40,502	-	-	-
Investment earnings	4,385	12,692	1,414	544	1,730
Other revenues	-	-	407,000	-	8,435
Total revenues	997,489	65,694	408,414	544	10,165
Expenditures					
Current					
General government	-	-	-	-	-
Financial	-	-	-	-	-
Judicial	-	-	-	-	-
Legal	-	-	-	-	-
Elections	-	-	-	-	-
Public safety	1,001,734	87,114	302,474	-	2,781
Road and bridge	-	-	-	-	-
Health and welfare	-	-	-	-	-
Capital outlay					
Capital outlay	-	-	84,778	-	-
Total expenditures	1,001,734	87,114	387,252	-	2,781
Excess (deficit) of revenues over expenditures	(4,245)	(21,420)	21,162	544	7,384
Other financing sources (uses)					
Transfers in	-	-	-	-	21,476
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	21,476
Net change in fund balance	(4,245)	(21,420)	21,162	544	28,860
Fund balances at beginning of year	(13,035)	1,100,328	68,167	37,862	110,205
Fund balances at end of year	\$ (17,280)	\$ 1,078,908	\$ 89,329	\$ 38,406	\$ 139,065

Taylor County, Texas
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Special Revenue
 Funds (Exhibit C-4)
 Year Ended September 30, 2018

Lateral Roads	Total Nonmajor Special Revenue Funds
\$ 34,426	\$ 1,057,370
-	721,170
2,271	128,498
-	700,435
36,697	2,607,473
-	264,307
-	1,585
-	19,452
-	110,052
-	45,042
-	1,394,103
27,147	27,147
-	46,000
-	84,778
27,147	1,992,466
9,550	615,007
-	456,128
-	(456,128)
-	-
9,550	615,007
94,657	7,720,484
\$ 104,207	\$ 8,335,491

Taylor County, Texas
Combining Statement of Net Position – Internal Service Funds (Exhibit C-5)
September 30, 2018

	<u>Self Insurance Fund</u>	<u>Employee Benefits Fund</u>	<u>Total Internal Service Funds</u>
Assets			
Cash and cash equivalents	\$ 126,625	\$ 2,026,935	\$ 2,153,560
Accounts receivable	-	11,436	11,436
Total assets	<u>126,625</u>	<u>2,038,371</u>	<u>2,164,996</u>
Liabilities			
Accounts payable	1,073	269,547	270,620
Accrued liabilities	-	82,562	82,562
Total liabilities	<u>1,073</u>	<u>352,109</u>	<u>353,182</u>
Net Position			
Unrestricted	<u>125,552</u>	<u>1,686,262</u>	<u>1,811,814</u>
Total net position	<u><u>\$ 125,552</u></u>	<u><u>\$ 1,686,262</u></u>	<u><u>\$ 1,811,814</u></u>

Taylor County, Texas
Combining Statement of Revenues, Expenditures and Changes in Net Position – Internal Service Funds
(Exhibit C-6)
Year Ended September 30, 2018

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
Operating revenues			
Charges for services	\$ -	\$ 6,410,948	\$ 6,410,948
Total operating revenues	-	6,410,948	6,410,948
Operating expenses			
Contracted services	-	1,807,835	1,807,835
Claims	149,867	5,375,180	5,525,047
Total operating expenses	149,867	7,183,015	7,332,882
Operating loss	(149,867)	(772,067)	(921,934)
Nonoperating revenues (expenses)			
Investment earnings	2,945	7,320	10,265
Refunds	-	2,620,856	2,620,856
Total nonoperating revenues	2,945	2,628,176	2,631,121
Income before transfers	(146,922)	1,856,109	1,709,187
Transfers			
Transfers in	50,000	-	50,000
Transfers out	(35,980)	(500,000)	(535,980)
Net transfers	14,020	(500,000)	(485,980)
Change in net position	(132,902)	1,356,109	1,223,207
Net position at beginning of year	258,454	330,153	588,607
Net position at end of year	\$ 125,552	\$ 1,686,262	\$ 1,811,814

Taylor County, Texas
Combining Statement of Cash Flows – Internal Service Funds (Exhibit C-7)
Year Ended September 30, 2018

	Self Insurance Fund	Employee Benefits Fund	Total Internal Service Funds
Operating activities			
Cash received from interfund services provided	\$ -	\$ 6,545,831	\$ 6,545,831
Cash payments for claims	(148,865)	(5,101,641)	(5,250,506)
Cash payments for insurance premiums	-	(1,807,835)	(1,807,835)
Net cash used for operating activities	<u>(148,865)</u>	<u>(363,645)</u>	<u>(512,510)</u>
Non-capital financing activities			
Transfers, net	14,020	(850,000)	(835,980)
Refunds	-	2,620,856	2,620,856
Net cash from non-capital financing activities	<u>14,020</u>	<u>1,770,856</u>	<u>1,784,876</u>
Investing activities			
Interest and dividends	2,945	7,320	10,265
Net cash from investing activities	<u>2,945</u>	<u>7,320</u>	<u>10,265</u>
Change in cash and cash equivalents	(131,900)	1,414,531	1,282,631
Cash and cash equivalents - beginning of year	<u>258,525</u>	<u>612,404</u>	<u>870,929</u>
Cash and cash equivalents - end of year	<u>\$ 126,625</u>	<u>\$ 2,026,935</u>	<u>\$ 2,153,560</u>
Reconciliation of operating income/(loss) to net cash used in operating activities			
Operating loss	(149,867)	(772,067)	(921,934)
Net change in			
Accounts receivable	-	134,883	134,883
Prepaid expenses	-	90,485	90,485
Claims payable	1,002	183,054	184,056
Total adjustments	<u>1,002</u>	<u>408,422</u>	<u>409,424</u>
Net cash used for operating activities	<u>\$ (148,865)</u>	<u>\$ (363,645)</u>	<u>\$ (512,510)</u>

	State Fees Funds	Unclaimed Property Fund	Bail Bond Security Fund	Appellate Judicial Fund	County Clerk	Tax Assessor Collector
Assets						
Cash and cash equivalents	\$ 238,105	\$ 1,041	\$ 77,691	\$ 905	\$ 491,580	\$ 714,557
Due from other funds	15,990	-	-	-	-	-
Accounts receivable	32,486	-	450	-	-	-
Total assets	\$ 286,581	\$ 1,041	\$ 78,141	\$ 905	\$ 491,580	\$ 714,557
Liabilities						
Accounts payable	\$ 286,194	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	15,990	-	-	-
Due to others	387	1,041	62,151	905	491,580	714,557
Total liabilities	\$ 286,581	\$ 1,041	\$ 78,141	\$ 905	\$ 491,580	\$ 714,557

Taylor County, Texas
 Combining Statement of Fiduciary Assets and Liabilities – Agency Funds (Exhibit C-8)
 September 30, 2018

District Clerk	JP Precinct 1 Place 1	JP Precinct 1 Place 2	Inmate Fund	Jail Commissary Fund	Civil Fund	Community Corrections Fund	Juvenile Restitution Fund
\$ 325,576	\$ 7,223	\$ 1,580	\$ 33,857	\$ 81,940	\$ 15	\$ 1,594,686	\$ 3,663
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 325,576</u>	<u>\$ 7,223</u>	<u>\$ 1,580</u>	<u>\$ 33,857</u>	<u>\$ 81,940</u>	<u>\$ 15</u>	<u>\$ 1,594,686</u>	<u>\$ 3,663</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>325,576</u>	<u>7,223</u>	<u>1,580</u>	<u>33,857</u>	<u>81,940</u>	<u>15</u>	<u>1,594,686</u>	<u>3,663</u>
<u>\$ 325,576</u>	<u>\$ 7,223</u>	<u>\$ 1,580</u>	<u>\$ 33,857</u>	<u>\$ 81,940</u>	<u>\$ 15</u>	<u>\$ 1,594,686</u>	<u>\$ 3,663</u>

	Tax Assessor Sales Tax	Tax Assessor Escrow	Employee Service Fund	County Clerk Bail Bonds	District Clerk Registry Fund	District Attorney Escrow
Assets						
Cash and cash equivalents	\$ 263	\$ 901,702	\$ 6,537	\$ 588,561	\$ 307,939	\$ 25,649
Due from other funds	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-
Total assets	\$ 263	\$ 901,702	\$ 6,537	\$ 588,561	\$ 307,939	\$ 25,649
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
Due to others	263	901,702	6,537	588,561	307,939	25,649
Total liabilities	\$ 263	\$ 901,702	\$ 6,537	\$ 588,561	\$ 307,939	\$ 25,649

Taylor County, Texas
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds (Exhibit C-8)
September 30, 2018

Local Emergency Planning	JP 3 Fund	CSCD Tax Deposit	CSCD Employee Fund	CSCD Restitution Fund	Tax A/C Deferred Payments	Auto Registration	DA Collections Trust
\$ 1,518	\$ 579	\$ 100	\$ 164	\$ -	\$ 369,078	\$ 2,246	\$ 126,033
-	-	-	-	100	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,518</u>	<u>\$ 579</u>	<u>\$ 100</u>	<u>\$ 164</u>	<u>\$ 100</u>	<u>\$ 369,078</u>	<u>\$ 2,246</u>	<u>\$ 126,033</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	100	-	-	-
1,518	579	100	164	-	369,078	2,246	126,033
<u>\$ 1,518</u>	<u>\$ 579</u>	<u>\$ 100</u>	<u>\$ 164</u>	<u>\$ 100</u>	<u>\$ 369,078</u>	<u>\$ 2,246</u>	<u>\$ 126,033</u>

Taylor County, Texas
Combining Statement of Fiduciary Assets and Liabilities – Agency Funds (Exhibit C-8)
September 30, 2018

	Veterans Memorial Fund	Receivership Account	District Clerk Bail Bond Fund	Domestic Relations	Total Agency Funds
Assets					
Cash and cash equivalents	\$ 3,226	25,869	\$ 200,344	\$ -	\$ 6,132,227
Due from other funds	-	-	-	80	16,170
Accounts receivable	-	110	-	-	33,046
	<u>3,226</u>	<u>25,979</u>	<u>200,344</u>	<u>80</u>	<u>6,181,443</u>
Total assets	\$ 3,226	\$ 25,979	\$ 200,344	\$ 80	\$ 6,181,443
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 286,194
Due to other funds	-	-	-	80	16,170
Due to others	3,226	25,979	200,344	-	5,879,079
	<u>3,226</u>	<u>25,979</u>	<u>200,344</u>	<u>80</u>	<u>6,181,443</u>
Total liabilities	\$ 3,226	\$ 25,979	\$ 200,344	\$ 80	\$ 6,181,443



Governmental Reporting Section
September 30, 2018

Taylor County, Texas



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Honorable Judge and Members of the Commissioners Court
Taylor County, Texas
Abilene, 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 Taylor County, Texas, (the County) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated March 12, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2018-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of 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*.

Taylor County, Texas's Response to Findings

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

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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Abilene, Texas
March 12, 2019

Section I - Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	Yes
Significant deficiencies identified that are not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Section II – Financial Statement Findings

Finding 2018-001:	Preparation of Financial Statements and Material Audit Adjustments in the Financial Statements
Type of Finding:	Material weakness
Criteria or Specific Requirement:	Management of the County is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP). This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.
Statement of Condition:	The County does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. In conjunction with the completion of our audit, we were requested to draft the financial statements and accompanying notes to those financial statements. Additionally, we recorded three audit adjustments to the County's recorded account balances, which if not recorded would have resulted in a material misstatement of the County's financial statements.
Cause:	The County does not prepare and has not developed an internal control system to provide for the preparation of the financial statements and related disclosures in a timely manner.
Effect:	Although this circumstance is not unusual for an organization of your size, the preparation of financial statements and adjusting journal entries as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by County personnel.

Recommendations:

Auditing standards require that auditors communicate this deficiency; however, the County prepares budgetary and other financial reports for Commissioners review on a routine basis, similar to many smaller governmental entities. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

View of Responsible Officials:

Management agrees with the finding. Refer to Corrective Action Plan.

**Elijah Anderson, CPA
Taylor County Auditor
400 Oak Street, Suite 449
Abilene, Texas 79602**



**Phone: (325) 674-1252
Fax: (325) 674-1372**

**Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
September 30, 2018**

Prepared by Management of
Taylor County, Texas

Financial Reporting

Finding 2017-A

Initial Fiscal Year Finding Occurred: 2017

Finding Summary: The County requested that Eide Bailly LLP draft the financial statements and accompanying notes to those financial statements. Additionally, Eide Bailly LLP recorded three audit adjustments to the County's recorded account balances, which if not recorded, would have resulted in a material misstatement of the County's financial statements.

Status: Refer to Finding 2018-001.

Finding 2017-B

Initial Fiscal Year Finding Occurred: 2017

Finding Summary: The County did not have an internal control system to reconcile culvert inventories on a routine basis due to the lack of segregation of duties.

Status: Completed

Preparation of Financial Statements and Material Audit Adjustments in the Financial Statements

Finding 2018-001

Finding Summary: The County requested that Eide Bailly LLP prepare the draft financial statements and accompanying notes to the financial statements. Eide Bailly LLP proposed audit adjustments that would not have been identified as a result of our existing controls and, therefore, could have resulted in a material misstatement of our financial statements.

Responsible Individuals: Elijah Anderson

Corrective Action Plan: The County will continue to prepare budgetary and financial reports on a monthly basis to report to the Commissioners in accordance with Texas Local Government Code. Additionally, the County will begin performing quarterly reviews of the financial statements and identified weakness areas to create a more timely reporting structure.

Anticipated Completion Date: March 31, 2019