

PALO PINTO COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

PALO PINTO COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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FINANCIAL SECTION



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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Independent Auditor's Report

To The Honorable County Judge and County Commissioners
Palo Pinto County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palo Pinto County, Texas (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. 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.

Basis for Qualified Opinions on Governmental Activities and General Fund

As fully described in Note 13 to the financial statements, the County has not recorded the receivables from the judicial assessments at September 30, 2018 in the accompanying financial statements of the Governmental Activities and General Fund. Accounting principles generally accepted in the United States of America require that these receivables should be recorded, which would increase the assets and fund balance/net position and change the revenues in the Governmental Activities and General Fund. The amount by which this departure would affect the assets, fund balance/net position, and revenues of the Governmental Activities and General Fund has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities and General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities and General Fund of the County, as of September 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

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

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System, Schedule of Employer Pension Contributions – Texas County and District Retirement System, Schedule of Changes in Total OPEB Liability and Related Ratios – Texas County and District Retirement System, Schedule of Employer Other Post-Employment Benefit (OPEB) Contributions – Texas County and District Retirement System and Schedule of Changes in Total OPEB Liability and Related Ratios - Palo Pinto County Retiree Health Care Plan be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements (C Exhibits) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual 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 and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Management's Discussion and Analysis

As management of Palo Pinto County, we offer readers of the Palo Pinto County's financial statements this narrative overview of the financial activities of Palo Pinto County for the fiscal year ended September 30, 2018.

Financial Highlights

The assets and deferred outflows of resources of Palo Pinto County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$17,901,538 (*net position*). Of this amount, \$4,657,561 (*unrestricted net position*) may be used to meet the County's ongoing obligations.

As of the close of the fiscal year, the Palo Pinto County's governmental funds reported combined ending fund balances of \$14,784,421. Of this total amount, \$10,852,717 (73 percent) is *available for spending* at the County's discretion (*unassigned fund balance*).

At the end of the fiscal year, unassigned fund balance for the General Fund is \$10,852,717 or 70 percent of total General Fund expenditures.

The County's total long-term liabilities increased \$2,954,005 (45 percent) during the fiscal year. The increase is due to an increase in other post-employment benefit liability of \$1,945,355, an increase in pension liability of \$861,870 and an increase in compensated absences of \$8,859. The County also issued \$218,897 of new debt and retired debt in the amount of \$80,976.

Overview of Financial Statements

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

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

The *Statement of Net Position* presents information on all of Palo Pinto County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of whether the County's financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net position changed during the year. All changes in net position are reported as soon as the event causing the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g., uncollected taxes).

The government-wide financial statements are presented on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Palo Pinto County, like other state and local governments, uses fund accounting to ensure and demonstrate

compliance with finance-related legal requirements. All of the funds of Palo Pinto County can be divided into three categories: governmental funds, internal service, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental 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*.

Palo Pinto County maintains twenty-seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other twenty-seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining funds* elsewhere in this report.

Palo Pinto County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund.

The basic governmental financial statements can be found on pages 11 and 13-14 of this report.

Internal service. The county adopted a Health Reimbursement Arrangement (HRA) Plan and it is accounted for as an internal service fund. The internal service fund's financial statements are on pages 16-18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The combined fiduciary fund *Statement of Fiduciary Assets and Liabilities* can be found on page 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the audited financial statements.

The notes can be found on pages 20-47 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Palo Pinto County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$17,901,538 at September 30, 2018.

The largest portion of the County's net position (66 percent) reflects its investment in capital assets (eg, land, buildings, machinery and equipment, and infrastructure), less any related debt

used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Palo Pinto County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

	<i>Government Activities</i>	
	2018	2017
<i>Current and Other Assets</i>	\$ 15,864,391	\$ 15,407,868
<i>Capital Assets</i>	12,385,851	12,416,282
Total Assets	\$ 28,250,242	\$ 27,824,150
 <i>Deferred Outflows of Resources</i>	 \$ 960,853	 \$ 2,419,652
 <i>Current Liabilities</i>	 \$ 770,037	 \$ 992,251
<i>Long-Term Liabilities</i>	9,517,575	6,563,570
Total Liabilities	\$ 10,287,612	\$ 7,555,821
 <i>Deferred Inflows of Resources</i>	 \$ 1,021,945	 \$ 773,928
 Net Position:		
<i>Net Investment in Capital Assets</i>	\$ 11,813,930	\$ 11,982,282
<i>Restricted</i>	1,430,047	1,319,648
<i>Unrestricted</i>	4,657,561	8,612,123
Total Net Position	\$ 17,901,538	\$ 21,914,053

Restricted net position represents resources that are subject to external restrictions. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, Palo Pinto County is able to report positive balances in net position, for the government as a whole, as well as for its separate governmental activities.

Changes in Net Position

	<i>Government Activities</i>	
	2018	2017
Revenues:		
Program Revenues:		
<i>Charges for Services</i>	\$ 2,970,273	\$ 3,060,306
<i>Operating Grants and Contributions</i>	282,501	517,151
<i>Capital Grants and Contributions</i>	32,480	33,253
General Revenues:		
<i>Property Taxes</i>	10,830,278	10,615,560
<i>Other Taxes</i>	1,638,479	1,580,044
<i>Other</i>	694,821	648,715
Total Revenues	<u><u>\$ 16,448,832</u></u>	<u><u>\$ 16,455,029</u></u>
Expenses:		
<i>General Government</i>	\$ 6,343,182	\$ 3,658,767
<i>Administration of Justice</i>	2,939,404	1,684,697
<i>Public Safety</i>	3,316,926	2,202,261
<i>Corrections and Rehabilitation</i>	3,181,739	1,959,079
<i>Health and Human Services</i>	717,057	288,345
<i>Community and Economic Development</i>	346,958	313,360
<i>Infrastructure and Environmental Services</i>	3,207,133	2,520,951
Total Expenses	<u><u>\$ 20,052,399</u></u>	<u><u>\$ 12,627,460</u></u>
 <i>Change in Net Position</i>	 <u><u>\$ (3,603,567)</u></u>	 <u><u>\$ 3,827,569</u></u>
 <i>Net Position - 10/1</i>	 <u><u>21,914,053</u></u>	 <u><u>18,086,484</u></u>
 <i>Prior Period Adjustment</i>	 <u><u>\$ (408,948)</u></u>	 <u><u>\$ 0</u></u>
 <i>Net Position - 9/30</i>	 <u><u>\$ 17,901,538</u></u>	 <u><u>\$ 21,914,053</u></u>

Financial Analysis of the Government's Funds

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

The General Fund is the chief operating fund of Palo Pinto County. At the end of the current fiscal year, unassigned fund balance of the General Fund is \$10,852,717 while the total fund balance reached \$12,075,192. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 70 percent of total General Fund expenditures, while total fund balance represents 78 percent of total General Fund expenditures.

The fund balance of Palo Pinto County's General Fund increased by \$25,986 during the current fiscal year. Key factors in this growth are as follows:

- Property taxes increased by \$216,588.
- The County's federal and state grant revenue decreased due to the ending in the prior year of FEMA Grant Funds received for damage due to floods.
- General Fund expenditures increased mostly due to new voting equipment purchased in the current year and the County began funding the County's Emergency Services District for county-wide ambulance service beginning in November 2017.
- General Fund net transfers out to other funds also increased in the current year.

The Capital Projects Funds have a total fund balance of \$1,286,082 all of which is committed for future capital projects. This represents an increase of \$606,212 from 2017. It is the intent of the County to use these funds for future growth and expansion needs of the County.

The Debt Service Fund has a total fund balance of \$0. The Fund is used to account for the Texas Capital Fund loan. The monthly lease payments received by the County are immediately paid toward the loan balance.

Palo Pinto County's Special Revenue Funds have a combined restricted fund balance of \$1,423,147 which represents an increase of \$107,126 primarily due to decreased expenditures in the Preservation of Records Funds and increased revenues in the Commissary Fund.

General Fund Budgetary Highlights

The final amended budget showed revenues increased only \$20,642 over the original budget and no individual revenue categories changed significantly from the original to the final budget.

It is the practice of the County to budget very conservatively. Actual revenues were 3.5 percent higher than budgeted. Licenses, Fee and Fines were 4.5 percent higher than budgeted due to conservative budgeting. Ad valorem taxes were only 1.2 percent higher than budgeted. Actual operating expenditures were 8.5 percent lower than budgeted. This can be attributed primarily to lower than anticipated costs in both general operations and road and bridge operations.

Capital Asset and Debt Administration

Capital assets. Palo Pinto County's investment in capital assets for its governmental activities as of September 30, 2018 amounts to \$12,385,851 (net of depreciation). This investment in capital assets includes land, buildings and building improvements, other improvements, transportation, machinery, equipment and other assets, infrastructure and construction-in-progress.

Major capital asset events during the current fiscal year included the following:

- ♦ The purchase of new voting equipment for \$262,068.
- ♦ The costs for road and bridge projects in progress at the end of the year totaling 75,050.

- ♦ The purchase of several vehicles and heavy equipment for road and bridge operations totaling \$545,095.

Additional information on the County's capital assets can be found in Note 5 on page 29-30 of this report.

Long-term debt. At the end of the fiscal year, the County had total long-term obligations of \$9,517,575 outstanding, including net pension liability and net other post-employment obligation liability. This debt is 100% backed by the full faith and credit of the County.

Additional information on the County's long-term debt can be found in Note 7 on pages 30-32 of this report.

Economic Factors and Next Year's Budgets

At the end of the fiscal year the unassigned fund balance in the General Fund was \$10,852,717. The County appropriated \$903,352 of this amount for spending in the 2018-19 fiscal year budget for several contingency line items in the General Fund for unexpected emergencies.

Requests for Information

This financial report is designed to provide a general overview of Palo Pinto County's finances. Questions concerning information in this report should be addressed to the County Auditor, Palo Pinto County, P.O. Box 159, Palo Pinto, Texas 76484.

Reference: Gauthier, Stephen J. Governmental Accounting, Auditing, and Financial Reporting, Chicago: Government Finance Officers Association, 2001.

BASIC FINANCIAL STATEMENTS

PALO PINTO COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Governmental Activities
Assets	
Cash	\$ 1,800,079
Investments	12,878,440
Receivables:	
Property taxes, net	255,188
Sales taxes	239,905
Occupancy taxes	55,283
Accounts	173,603
Due from fiduciary	186,336
Prepaid expenses	224,344
Inventory	51,213
Capital assets, net	12,385,851
Total assets	<u>28,250,242</u>
Deferred Outflows of Resources	
Pension plan related	926,186
OPEB related	34,667
Total deferred outflows of resources	<u>960,853</u>
Liabilities	
Accounts payable	226,034
Accrued liabilities	474,558
Due to fiduciary	35,200
Due to others	34,245
Long-term liabilities:	
Due within one year	334,411
Due in more than one year	496,478
Net pension liability	4,300,448
Total OPEB liability	4,386,238
Total liabilities	<u>10,287,612</u>
Deferred Inflows of Resources	
Pension plan related	1,014,107
OPEB related	7,838
Total deferred inflows of resources	<u>1,021,945</u>
Net Position	
Net investment in capital assets	11,813,930
Restricted	1,430,047
Unrestricted	4,657,561
Total net position	<u>\$ 17,901,538</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities:					Governmental Activities
General Government	\$ 6,343,182	\$ 1,297,848	\$ -	\$ -	\$ (5,045,334)
Administration of Justice	2,939,404	733,940	175,763	-	(2,029,701)
Public Safety	3,316,926	149,255	88,873	-	(3,078,798)
Corrections and Rehabilitation	3,181,739	181,811	-	-	(2,999,928)
Health and Human Services	717,057	-	-	-	(717,057)
Community and Economic Development	346,958	-	17,865	-	(329,093)
Infrastructure and Environmental Services	3,207,133	607,419	-	32,480	(2,567,234)
Total governmental activities	<u>\$ 20,052,399</u>	<u>\$ 2,970,273</u>	<u>\$ 282,501</u>	<u>\$ 32,480</u>	<u>(16,767,145)</u>
General revenues and special item:					
Property taxes, levied for general purposes					10,830,278
Sales taxes					1,438,929
Hotel/motel taxes					152,875
Mixed beverage taxes					46,675
Investment earnings					199,228
Miscellaneous					473,841
Special item - gain on sale of capital assets					21,752
Total general revenues and special item					<u>13,163,578</u>
Change in net position					<u>(3,603,567)</u>
Net position - beginning of year, as originally stated					21,914,053
Prior period adjustment					<u>(408,948)</u>
Net position - beginning of year, as restated					21,505,105
Net position - ending					<u>\$ 17,901,538</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 756,491	\$ 964,395	\$ 1,720,886
Investments	11,211,781	1,666,659	12,878,440
Receivables, net:			
Property taxes	255,188	-	255,188
Sales taxes	239,905	-	239,905
Occupancy taxes	-	55,283	55,283
Accounts	159,279	14,324	173,603
Due from other funds	136,733	18,231	154,964
Prepaid expenses	224,344	-	224,344
Inventory	51,213	-	51,213
Total assets	<u>\$ 13,034,934</u>	<u>\$ 2,718,892</u>	<u>\$ 15,753,826</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 201,881	\$ 5,560	\$ 207,441
Accrued liabilities	464,813	3,891	468,704
Due to other funds	3,828	-	3,828
Due to others	34,032	212	34,244
Total liabilities	<u>704,554</u>	<u>9,663</u>	<u>714,217</u>
Deferred inflows of resources:			
Unavailable property taxes	<u>255,188</u>	<u>-</u>	<u>255,188</u>
Fund balances:			
Nonspendable	275,557	-	275,557
Restricted	14,292	1,415,755	1,430,047
Committed	29,274	1,293,474	1,322,748
Assigned	903,352	-	903,352
Unassigned	10,852,717	-	10,852,717
Total fund balances	<u>12,075,192</u>	<u>2,709,229</u>	<u>14,784,421</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,034,934</u>	<u>\$ 2,718,892</u>	<u>\$ 15,753,826</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balances - governmental funds (Exhibit A-3) \$ 14,784,421

Amounts reported for *governmental activities* in the Statement of Net Position (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:

Gross capital assets	\$ 26,054,360	
Related accumulated depreciation	<u>13,668,509</u>	12,385,851

Property tax receivables are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.	255,187
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Note payable	406,000	
Capital leases payable	165,921	
Accrued compensated absences	<u>258,968</u>	(830,889)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are recorded only when due.	(5,854)
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The County uses an internal service fund to operate a health reimbursement account (HRA) for the benefit of all eligible employees of the County. The assets and liabilities are included in the governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	60,600
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The County's net pension and OPEB liabilities and related deferred outflows and inflows related to its participation in the Texas County & District Retirement System and the OPEB liability and related deferred outflows and inflows related to the County provided retiree medical coverage do not meet criteria to be reported in the governmental funds financial statements. These items consist of:

Net pension liability	(4,300,448)	
Deferred outflows - pension related items	926,186	
Deferred inflows - pension related items	(1,014,107)	
Total OPEB liability	(4,386,238)	
Deferred outflows - OPEB related items	34,667	
Deferred inflows - OPEB related items	<u>(7,838)</u>	<u>(8,747,778)</u>

Total net position - governmental activities (Exhibit A-1)	<u><u>\$ 17,901,538</u></u>
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The accompanying notes are an integral part of this statement.

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 10,826,584	\$ -	\$ 10,826,584
Sales taxes	1,438,929	-	1,438,929
Occupancy tax	-	152,875	152,875
Mixed beverage tax	46,675	-	46,675
Licenses, fees and fines	2,576,511	248,268	2,824,779
Federal and state grants	237,136	59,980	297,116
Inmate revenue	96,875	-	96,875
Commissary revenue	-	84,936	84,936
Interest earned	179,614	19,116	198,730
Other revenue	263,108	192,281	455,389
Total revenues	<u>15,665,432</u>	<u>757,456</u>	<u>16,422,888</u>
Expenditures			
29th District Court	533,950	-	533,950
Capital projects	-	38,311	38,311
Commissary	-	48,825	48,825
Commissioner's Court	49,759	-	49,759
Constable	441,103	-	441,103
County Attorney	261,044	2,263	263,307
County Auditor	261,819	-	261,819
County Clerk	310,534	107,810	418,344
County Court	193,594	-	193,594
County Extension Service	95,719	-	95,719
County Treasurer	129,064	-	129,064
Courthouse security	-	54,798	54,798
Debt service - principal	-	28,000	28,000
District Attorney	321,647	36,654	358,301
District Clerk	229,073	-	229,073
Election Administration	493,736	-	493,736
Emergency Management	80,264	-	80,264
Emergency Medical & Health Services	579,590	-	579,590
General operations	2,929,331	55,879	2,985,210
Health services	10,000	-	10,000
Hotel/motel tax	-	147,453	147,453
Information Technology	131,247	-	131,247
Inmate contract	267,812	-	267,812
Jail and detention	1,987,929	-	1,987,929
Justice of the Peace	549,152	-	549,152
Narcotics Unit	150,643	-	150,643
Public Works	375,818	32,480	408,298

The accompanying notes are an integral part of this statement.

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Road and Bridge:			
Precinct No. 1	670,786	-	670,786
Precinct No. 2	714,006	-	714,006
Precinct No. 3	561,501	-	561,501
Precinct No. 4	692,700	-	692,700
Sheriff	1,717,821	18,973	1,736,794
Tax Assessor-Collector	557,326	-	557,326
Vending Expenditures	-	2,542	2,542
Veteran's Administration	58,684	-	58,684
Total expenditures	<u>15,355,652</u>	<u>573,988</u>	<u>15,929,640</u>
Excess of revenues over (under) expenditures	<u>309,780</u>	<u>183,468</u>	<u>493,248</u>
Other sources and (uses):			
Proceeds from the issuance of capital leases	217,597	-	217,597
Proceeds from the sale of capital assets	93,479	-	93,479
Transfers in	6,630	530,500	537,130
Transfers out	<u>(601,500)</u>	<u>(630)</u>	<u>(602,130)</u>
Total other sources and (uses)	<u>(283,794)</u>	<u>529,870</u>	<u>246,076</u>
Net change in fund balances	<u>25,986</u>	<u>713,338</u>	<u>739,324</u>
Fund balances, beginning of year, as originally stated	12,081,630	1,995,891	14,077,521
Prior period adjustment	<u>(32,424)</u>	<u>-</u>	<u>(32,424)</u>
Fund balances, beginning of year, as restated	<u>12,049,206</u>	<u>1,995,891</u>	<u>14,045,097</u>
Fund balances, end of year	<u>\$ 12,075,192</u>	<u>\$ 2,709,229</u>	<u>\$ 14,784,421</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds (Exhibit A-5) \$ 739,324

Amounts reported for *governmental activities* in the Statement of Activities (Exhibit A-2) are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:

Capital outlay during the year	\$ 1,250,419	
Depreciation expense for the year	<u>1,209,123</u>	41,296

The net book value of the capital assets disposed of during the year are not recorded in the governmental funds. In the Statement of Activities, the difference between the proceeds and the book value of the capital asset is reported as a gain (loss) from sale. The net book value of the capital assets disposed of during the year was: (71,727)

Because property tax receivables will not be collected for several months after the County's fiscal year ends, they are not considered 'available' revenues and are deferred inflows of resources in the governmental funds. Deferred inflows of resources increased by this amount. 3,694

The issuance of long-term debt provides current financial resources to governmental funds. However, the issuance increases long-term liabilities in the Statement of Net Position. The County issued capital leases for the purchase of equipment in the current year totaling: (218,897)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. The long-term debt principal paid during the year was as follows:

Note payable	28,000	
Capital leases payable	<u>52,976</u>	80,976

Interest on long-term debt in the Statement of Activities differs from the amount reported in governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The increase in accrued interest is as follows:

Accrued interest at September 30, 2017	-	
Accrued interest at September 30, 2018	<u>5,854</u>	(5,854)

Included in long-term liabilities are obligations for accrued vacation leave and the net other post-employment benefit obligation for retiree medical coverage. The changes in these obligations are not included in the governmental fund financial statements, but are included in the government-wide financial statements. The change in these long-term obligations was: (1,532,497)

The County participates in an agent multiple-employer defined benefit pension and OPEB plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension and OPEB expenses are recognized on an actuarial basis. The actuarial expense exceeded the plan contributions in the current year. (2,613,879)

The County uses an internal service fund to operate a health reimbursement account (HRA) for the benefit of all eligible employees of the County. The change in net position of the internal service fund is reported with the governmental activities. The net effect of this consolidation is a decrease in net position. (26,003)

Change in net position of governmental activities (Exhibit A-2) \$ (3,603,567)

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
SEPTEMBER 30, 2018

	Health Reimbursement Arrangement
Assets	
Cash	\$ 79,193
Total assets	79,193
Liabilities	
Accounts payable	18,593
Total liabilities	18,593
Net Position	
Unrestricted	60,600
Total net position	\$ 60,600

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Health Reimbursement Arrangement
Operating revenues	
Charges for services	\$ -
Operating expenses:	
Reimbursements	84,410
Administrative fees	7,091
Total operating expenses	91,501
Loss from operations	(91,501)
Non-operating income:	
Interest income	498
Transfers in	65,000
Change in net position	(26,003)
Total net position - beginning	86,603
Total net position - ending	\$ 60,600

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Health Reimbursement Arrangement
Cash flows from operating activities	
Cash paid to employees for health reimbursements	\$ (78,898)
Cash paid to third party administrator	(7,091)
Net cash used by operating activities	<u>(85,989)</u>
Cash flows from investing activities	
Transfers in from other funds	65,000
Interest earnings	498
Net cash provided by investing activities	<u>65,498</u>
Net decrease in cash and cash equivalents	(20,491)
Cash and cash equivalents at beginning of the year	99,684
Cash and cash equivalents at end of the year	<u><u>\$ 79,193</u></u>
Reconciliation of loss from operations to net cash used by operating activities:	
Operating loss	\$ (91,501)
Effect of change in current assets and liabilities:	
Increase in accounts payable	5,512
Net cash used by operating activities	<u><u>\$ (85,989)</u></u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUNDS
SEPTEMBER 30, 2018

	Agency Funds
Assets	
Cash	\$ 1,490,943
Investments	1,028,096
Other receivables	21,965
Due from other funds	35,200
Total assets	<u>\$ 2,576,204</u>
Liabilities	
Due to other funds	\$ 186,336
Due to others	2,389,868
Total liabilities	<u>\$ 2,576,204</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Palo Pinto, Texas (County) was created by the Act of Legislature on August 27, 1856, and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical precincts. The County Judge is elected for a term of four years and the Commissioners for four year staggered terms. Other major County elective officers include the County Clerk, District Clerk, County Tax Assessor-Collector and County Treasurer. The County Auditor is appointed for a term of two years and serves at the will of the District Judge, whose court is located in Palo Pinto County. The 2010 census population for the County was 28,111 and the area covered is approximately 949 square miles. The unincorporated community of Palo Pinto is the County Seat. The County provides the following public services: Public Safety – Sheriff's Department and Jail Detention, Tax Assessing and Collecting, Sanitation, Fire, Emergency Medical Services, Public Records, Criminal and Civil Prosecution, Road and Bridge Maintenance and General Operations.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The government's significant accounting policies are described below:

A. Reporting Entity

In evaluating the County for financial reporting purposes, management has considered all potential component units. The evaluation was made by applying the criteria set forth in generally accepted accounting principles for inclusion of component units with a reporting entity. The major criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility over the unit. The most significant manifestation of this ability to exercise oversight responsibility includes, but is not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the County is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no potential component units included in the reporting entity as defined by GASB 14, "The Reporting Entity", as amended by GASB 39 and 61.

There are no component units which satisfy requirements for blending or discrete presentation within the County's financial statements. Accordingly, the basic financial statements present the County only.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the County. For the most part, the effects of interfund activity have been removed from these statements.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

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

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

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

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

The County reports the following major governmental fund:

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The County reports the following nonmajor governmental funds reported as 'Other Governmental Funds':

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

The *Capital Project Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The *Debt Service Funds* are used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt.

The County reports the following internal service fund:

The *Health Reimbursement Arrangement (HRA) Plan* was established under Internal Revenue Code Section 106 for reimbursing eligible County employees for the cost of certain eligible medical expenses incurred by them, their spouses and eligible dependents.

Additionally, the County reports the following Agency Funds:

Agency Funds are used to report cash and investments and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The assets are held in a trustee or agent capacity and are not available to support County programs; therefore, these funds are not included in the government-wide financial statements.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

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

The preparation of the financial statements in conformity with generally accepted accounting principles require the use of estimates by management that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

D. Financial Statement Amounts

1. Deposits and Investments

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

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and investment pools.

Investments for the County are reported at fair value. The authorized investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables, including those for the County, are shown net of an allowance for uncollectibles.

Property taxes are levied by October 1. 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.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

3. Uncollected Taxes Receivable

The office of the Tax Assessor-Collector is under contract to eighteen (18) different taxing entities. It is the responsibility of the Tax Assessor-Collector to collect the taxes for the various taxing districts and then to remit the tax, including any penalty and interest, less a 1% fee of current taxes and 7% of delinquent taxes, to the tax district, except for the Palo Pinto County Education District, in which the Tax Assessor-Collector receives all penalties collected. The amount recorded as investment in uncollected taxes represents the total taxes receivable for the eighteen districts and the Palo Pinto County Education District.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 amounts reported by the County in this category related to the County's participation in the Texas County and District Retirement System (TCDRS).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 two items that qualify for reporting in this category. The amounts reported by the County in this category related to the County's participation in TCERS. Property taxes receivable are unavailable and therefore cannot be recognized as revenue in the governmental funds until they are received.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs on fixed assets are not capitalized. Interest is charged to the Debt Service Fund for assets acquired with tax notes. For assets purchased under capital lease agreements, interest is expensed in the fund responsible for making the lease payments.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Furniture & Fixtures	7 years
Vehicles	3 - 15 years
Equipment	5 - 7 years
Heavy Equipment	8 - 30 years
Buildings and Improvements	5 - 40 years
Other Improvements	10 - 20 years
Public Domain Infrastructure	15 - 30 years

7. Compensated Absences

It is the County's policy to permit employees to accumulate a limited amount of earned but unused vacation and compensated absences, which will be paid to employees upon separation from the County's service. In governmental funds, the cost of vacation and compensated absences is recognized when payments are made to employees. A long-term liability of \$258,968 of accrued vacation and compensated absences at September 30, 2018 has been recorded in the government-wide statements, representing the County's commitment to fund such costs from future operations. The department for which the employee works is charged when payments for vacation or compensated absences are paid. The County's sick leave policy provides for a maximum carry over of 480 hours, with the exception of a few grandfathered employees. The County has no obligation for the accumulated sick leave until it is actually taken; therefore, no accrual for sick leave has been made.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Issuance costs associated with long-term debt are reported as deferred charges and amortized over the term of the related debt.

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

9. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the County's Commissioners' Court. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

10. Transactions Between Funds

Outstanding balances between funds are reported as "due to/from other funds." Nonrecurring or non-routine transfers of equity between funds are accounted for as transfers.

11. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. New Accounting Standard Adopted

In fiscal year 2018, the County adopted GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

13. Pensions

The fiduciary net position of the TCDRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting, the same basis as is reported by TCDRS in their Comprehensive Annual Financial Report. This includes for purposes of measuring the net pension asset (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.

14. Other Post-Employment Benefits

The fiduciary net position of the TCDRS and the County's Retiree Health Care Plan have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TCDRS and the County's Retiree Health Care Plan fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go-plan and all cash is held in a cash account.

2. COMPLIANCE AND ACCOUNTABILITY

A. *Finance-Related Legal and Contractual Provisions*

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

For the year ended September 30, 2018, the County had no violations of finance-related legal or contractual provisions.

B. *Deficit Fund Balance or Net Position of Individual Funds*

As of September 30, 2018, there were no funds with a deficit fund balance or net position.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

3. DEPOSITS AND INVESTMENTS

A. Deposits

Deposits, except for those held in trust by the County Clerk, District Clerk, and others were held with the contracted depository banks in interest bearing accounts which were secured at the balance sheet date by FDIC coverage and by pledged government securities in the name of the depository banks. At September 30, 2018, the carrying amount of the County's deposits was \$14,678,519 and the balance per the bank was \$14,956,736. Included in the carrying amount and bank balance are certificates of deposit (recorded as investments) totaling \$12,878,440.

The County Clerk, District Clerk, and others hold deposit accounts and investments as trustees under court orders in various banks. The accounts are styled for the benefit of the individual beneficiaries and do not actually belong to the County. The investments consist of interest bearing demand deposits and certificates of deposit whose carrying value and market value are the same. The carrying amounts of agency funds held by the County at September 30, 2018 were \$2,519,039 and the balance per the bank was \$2,519,039. All deposits and investments were secured by FDIC coverage.

B. Investments

The County is required by Government Code Chapter 2256, The Public Funds Investment Act (Act) to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, maturity and the quality and capability of investment management; include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, (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, and (10) common trust funds.

The County's investments at September 30, 2018 are shown below:

<u>Investments</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Certificates of Deposit	5.94	<u>\$12,878,440</u>

The County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
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entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The County values its certificates of deposit using Level 2 inputs.

C. Analysis of Specific Deposit and Investment Risks

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

1. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the County was not significantly exposed to credit risk.

2. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the County's name.

At year end, the County was not exposed to custodial credit risk.

3. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the County was not exposed to concentration of credit risk.

4. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the County was not exposed to interest rate risk.

5. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the County was not exposed to foreign currency risk.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of the prior year. Taxes are levied on October 1 and do not begin to accrue interest until February 1. The County is permitted by the Municipal Finance Law of the State of Texas to levy taxes (exclusive of those amounts levied to service long-term debt) up to \$.80 per \$100 of assessed valuation for general services, permanent improvements, road and bridge and jury fund purposes. The combined tax rate to finance general government (exclusive of long-term debt service and Special Road & Bridge) for the year ended September 30, 2018, was \$0.379197 per \$100 valuation.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
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No taxes were levied for the payment of principal and interest related to long-term debt as the bonded debt was paid in full in a prior year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At September 30, 2018, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$616,341
Allowance for uncollectible taxes	(361,153)
Net property taxes receivable	<u>\$255,188</u>

Of the \$616,341 of property taxes receivable at September 30, 2018, the County expects to collect approximately \$150,000 within a year. This is similar to the amount of delinquent taxes received in previous years.

5. CAPITAL ASSETS

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

Governmental Activities:	<u>Balance</u> <u>10/1/17</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>9/30/18</u>
Capital assets not being depreciated:					
Land	\$ 271,598	\$ -	\$ -	\$ -	\$ 271,598
Construction in progress	<u>48,322</u>	<u>75,050</u>	<u>-</u>	<u>-</u>	<u>123,372</u>
Total capital assets not being depreciated	<u>319,920</u>	<u>75,050</u>	<u>-</u>	<u>-</u>	<u>394,970</u>
Capital assets being depreciated:					
Buildings and improvements	9,184,531	15,900	28,609	-	9,171,822
Equipment	3,749,686	712,791	107,625	-	4,354,852
Vehicles	3,199,304	326,709	372,867	-	3,153,146
Infrastructure	<u>8,859,601</u>	<u>119,969</u>	<u>-</u>	<u>-</u>	<u>8,979,570</u>
Total capital assets being depreciated	<u>24,993,122</u>	<u>1,175,369</u>	<u>509,101</u>	<u>-</u>	<u>25,659,390</u>
Less accumulated depreciation for:					
Buildings and improvements	5,915,272	262,852	28,609	-	6,149,515
Equipment	1,997,676	202,846	45,409	-	2,155,113
Vehicles	2,217,920	304,856	363,356	-	2,159,420
Infrastructure	<u>2,765,892</u>	<u>438,569</u>	<u>-</u>	<u>-</u>	<u>3,204,461</u>
Total accumulated depreciation	<u>12,896,760</u>	<u>1,209,123</u>	<u>437,374</u>	<u>-</u>	<u>13,668,509</u>
Total capital assets being depreciated, net	<u>12,096,362</u>	<u>(33,754)</u>	<u>71,727</u>	<u>-</u>	<u>11,990,881</u>
Governmental activities capital assets, net	<u>\$12,416,282</u>	<u>\$ 41,296</u>	<u>\$ 71,727</u>	<u>\$ -</u>	<u>\$12,385,851</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 145,603
Administration of Justice	19,575
Public Safety	171,656
Corrections and Rehabilitation	127,037
Health and Human Services	496
Community and Economic Development	32,582
Infrastructure and Environmental Services	<u>712,174</u>
Total governmental depreciation	<u>\$1,209,123</u>

6. INTERFUND BALANCES AND ACTIVITIES

A. Balances due to and from other funds at September 30, 2018 were as follows:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Fiduciary Funds	\$136,733	Short-term loan
Other Governmental Funds	Fiduciary Funds	18,231	Short-term loan
Fiduciary Funds	General Fund	3,828	Short-term loan
Fiduciary Funds	Fiduciary Funds	<u>31,372</u>	Short-term loan
	Total	<u>\$190,164</u>	

All of the above amounts are expected to be repaid within one year.

B. Transfers in and out during the year ended September 30, 2018 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	General Fund	\$ 6,000	Supplement other funds
General Fund	Other Governmental Funds	530,500	Supplement other funds
General Fund	Internal Service Fund	65,000	Supplement other funds
Other Governmental Funds	General Fund	<u>630</u>	Supplement other funds
	Total	<u>\$602,130</u>	

7. LONG-TERM OBLIGATIONS

The County issued a note payable and capital leases to provide funds for the acquisition and construction of major capital facilities and equipment. These issues are direct obligations and pledge the full faith and credit of the County.

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Changes in long-term liabilities for the year ended September 30, 2018 was as follows:

	Balance 10/01/17	Additions	Retirements	Balance 09/30/18	Due Within One Year
Governmental Activities:					
Note payable	\$434,000	\$ -	\$ 28,000	\$406,000	\$ 28,000
Capital leases payable	-	218,897	52,976	165,921	47,443
Compensated absences	<u>250,109</u>	<u>283,185</u>	<u>274,326</u>	<u>258,968</u>	<u>258,968</u>
Total long-term liabilities – governmental activities	<u>\$684,109</u>	<u>\$502,082</u>	<u>\$355,302</u>	<u>\$830,889</u>	<u>\$334,411</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

Total debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 75,443	\$ 5,532	\$ 80,975
2020	77,547	3,428	80,975
2021	79,748	1,228	80,976
2022	45,183	67	45,250
2023	28,000	-	28,000
2024-28	140,000	-	140,000
2029-33	<u>126,000</u>	<u>-</u>	<u>126,000</u>
Totals	<u>\$571,921</u>	<u>\$10,255</u>	<u>\$582,176</u>

Note Payable

The note payable to the Texas Department of Rural Community Affairs is part of the Texas Department of Agriculture's Community Development Block Grant (CDBG) known as the Texas Capital Fund. The County borrowed \$560,000 interest-free to purchase a facility which was leased to a business. The lease proceeds will be used to repay the loan. The monthly lease is for \$2,333 which began in June 2012, but has been deferred from August 1, 2014 to July 31, 2015.

<u>Purpose</u>	<u>Original Amount</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/18</u>
Purchase and lease facility as part of the CDBG Texas Capital Fund program	\$560,000	05/23/11	03/01/33	0.00%	<u>\$406,000</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
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Note payable service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 28,000	\$ -	\$ 28,000
2020	28,000	-	28,000
2021	28,000	-	28,000
2022	28,000	-	28,000
2023	28,000	-	28,000
2024-28	140,000	-	140,000
2029-33	<u>126,000</u>	<u>-</u>	<u>126,000</u>
Totals	<u>\$406,000</u>	<u>\$ -</u>	<u>\$406,000</u>

Capital Leases Payable

On October 11, 2017, the County entered into a capital lease for the acquisition of a 544K Loader 4WD. The lease requires five annual payments of \$23,103 beginning October 16, 2017 with a bargain purchase payment of \$1 on October 16, 2022. On December 21, 2017, the County entered into a capital lease for the acquisition of a second 544K Loader 4WD. The lease requires four annual payments of \$29,873 beginning December 21, 2017 with a bargain purchase payment of \$1 on December 21, 2021.

<u>Purpose</u>	<u>Original Amount</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/18</u>
544K Loader 4WD (John Deere Financial)	\$107,848	10/16/17	10/16/21	3.50%	\$ 84,745
544K Loader 4WD (John Deere Financial)	\$111,049	12/21/17	12/21/21	5.00%	<u>81,176</u>
Total balance at 9/30/18					<u>\$165,921</u>

The total cost of assets acquired under capital lease is \$242,597 at September 30, 2018. These assets have accumulated depreciation of \$8,458, for a net value of \$234,139 as of September 30, 2018.

Capital leases payable service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 47,443	\$ 5,532	\$ 52,975
2020	49,547	3,428	52,975
2021	51,748	1,228	52,976
2022	<u>17,183</u>	<u>67</u>	<u>17,250</u>
Totals	<u>\$165,921</u>	<u>\$10,255</u>	<u>\$176,176</u>

8. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The County participates in the Texas Association of Counties Intergovernmental Risk Pool

PALO PINTO COUNTY, TEXAS
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(Pool) which provides protection for risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the County's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the County's basic financial statements. For the last three years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

9. CONTINGENT LIABILITIES AND COMMITMENTS

Federal and State Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

Litigation

In the normal course of providing services to the public, the County from time-to-time is subjected to litigation claims. The County defends itself against such claims based on internal assessment of liability and risk. Litigation expenses are recorded as expenditures in the period when litigation services are rendered and damages are accrued as expenditures when determined to be probable and when amounts can reasonably be estimated. No liabilities have been accrued in the financial statements relative to litigation at September 30, 2018.

Operating Leases

The County entered into three separate operating leases for motor graders in June 2017. The operating leases had a start date of June 2017 and end June 2019. The operating leases each require annual payments of \$15,839 beginning June 2017. The track loader and motor grader leases each include a purchase option. The total operating lease expenditures for the County for the year ended September 30, 2018 was \$97,702. The future minimum payments under the non-cancelable operating leases are \$46,914 for the year ended September 30, 2019.

10. DEFINED BENEFIT PENSION PLAN

A. 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 statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 738 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis that is publicly available at www.tcdrs.org.

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 30 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 of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

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B. Benefits Provided

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

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	106
Inactive employees entitled to but not yet receiving benefits	103
Active employees	166

C. Contributions

The County has elected the annually determined contribution rate (ADCR) 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 employer is actuarially determined annually. The County contributed using the actuarially determined rate of 11.42% for the months of the accounting year in 2017, and 12.54% for the months of the accounting year in 2018.

The contribution rate payable by the employee members for calendar year 2017 is the rate of 7% as adopted by the Commissioners' Court of the County. The employee contribution rate and the County contribution rate may be changed by the Commissioners' Court of the County within the options available in the TCDRS Act.

D. Net Pension Liability

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

Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68.

Real rate of return	5.25% per year
Inflation	2.75% per year
Long-term investment return	8.00% per year, net of pension plan investments expenses
Growth in membership	0.00% per year
Payroll growth	3.25% per year

Salary increases were based on a service-related table. The mortality rates for active members were based on 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after that. The

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mortality rate for service retirees, beneficiaries, and non-depositing members was 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, both projected with 110% of the MP-2014 Ultimate scale after 2014. The mortality rates for disabled retirees were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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 below are based on January 2016 information for a 7-10 year time horizon.

The valuation assumption for long-term expected return is re-assessed a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation ⁽¹⁾</u>	<u>Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾</u>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities – Developed	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities – Emerging	MSCI Emerging Markets (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 ⁽⁴⁾	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

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(1) Target asset allocation adopted at the April 2018 TCDRS Board Meeting.

(2) Geometric real rates of return in addition to assumed inflation of 1.95%, per Cliffwater's 2018 capital market assumptions

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

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

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

Discount Rate

The projected fiduciary net position was determined to be sufficient compared to projected benefit payments. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be sufficient to pay projected benefit payments in all future years. Therefore, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments (8.10%).

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2016	\$31,250,537	\$27,811,959	\$3,438,578
Changes for the year:			
Service cost	995,107	-	995,107
Interest on total pension liability	2,546,892	-	2,546,892
Effect of plan changes	2,847,868	-	2,847,868
Effect of economic/demographic gains or losses	(272,062)	-	(272,062)
Effect of assumptions changes or inputs	168,325	-	168,325
Refund of contributions	(166,269)	(166,269)	-
Benefit payments	(1,470,677)	(1,470,677)	-
Administrative expense	-	(21,015)	21,015
Member contributions	-	536,931	(536,931)
Net investment income	-	4,055,653	(4,055,653)
Employer contributions	-	856,180	(856,180)
Other changes	-	(3,489)	3,489
Balances as of December 31, 2017	<u>\$35,899,721</u>	<u>\$31,599,273</u>	<u>\$4,300,448</u>

Sensitivity Analysis

The following presents the net pension liability of the County, calculated using the discount rate of 8.10%, as well as what the County'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.

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	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Net pension liability	<u>\$8,882,971</u>	<u>\$4,300,448</u>	<u>\$433,027</u>
<u>Pension Expense/(Income)</u>			
	January 1, 2017 to December 31, 2017		
Service cost	\$ 995,107		
Interest on total pension liability ⁽¹⁾	2,546,892		
Effect of plan changes	2,847,868		
Administrative expenses	21,015		
Member contributions	(536,931)		
Expected investment return net of investment expenses	(2,242,113)		
Recognition of deferred inflows/outflows of resources:			
Recognition of economic/demographic gains or losses	(426,655)		
Recognition of assumption changes or inputs	146,017		
Recognition of investment gains or losses	181,536		
Other ⁽²⁾	<u>3,490</u>		
Pension income	<u>(\$3,536,226)</u>		

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

⁽²⁾ Relates to allocation of system-wide items.

Deferred Outflows / Inflows of Resources

As of September 30, 2018, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 619,335
Change in assumptions	230,179	-
Net difference between projected and actual earnings	-	394,772
Contributions made subsequent to measurement date	<u>696,007</u>	<u>-</u>
Total	<u>\$926,186</u>	<u>\$1,104,107</u>

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

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<u>Year Ended December 31:</u>	
2018	(\$71,749)
2019	2,801
2020	(352,271)
2021	(362,709)

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Group Term Life Program

A. Plan Description

A description of the OPEB plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

1. The County participates in the retiree Group Term Life (GTL) program for the TCDRS which is a statewide, multiple-employer, public employee retirement system.
2. A brief description of benefit terms:
 - a) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree GTL program are included in the OPEB plan.
 - b) The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program.
 - c) The OPEB benefit is a fixed \$5,000 lump-sum benefit.
 - d) No future increases are assumed in the \$5,000 benefit amount.
 - e) Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year.
3. Membership information is shown in the chart below.
4. Contributions made to the retiree GTL program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.
5. Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. The County's contribution rate for the retiree GTL program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000.

B. Membership Information

<u>Members</u>	<u>12/31/16</u>	<u>12/31/17</u>
Number of inactive employees entitled to but not yet receiving benefits ⁽¹⁾	26	28
Number of active employees	159	166
Average age of active employees	48.88	49.17
Average length of service in years for active employees	11.62	11.37
<u>Inactive Employees Receiving Benefits ⁽¹⁾</u>		
Number of benefit recipients ⁽¹⁾	89	91

⁽¹⁾ "Receiving benefits" indicates the member is retired and receiving monthly pension benefits, and his or her beneficiary is eligible for the \$5,000 lump sum upon the retiree's death.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

C. Actuarial Methods and Assumptions Used for GASB Calculations

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method:	
Recognition of economic/demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return (Discount Rate)	3.44% (20-year Bond GO Index published by bondbuyer.com as of 12/28/17)
Cost-of-Living Adjustment	Does not apply
Disability	The rates of disability range from .000% to .018% for work-related disability and .000% to .27% for all other causes depending on age.
Mortality:	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Retirement	Members eligible for service retirement range from 4.5% to 22% for both male and females depending on age.
Other Termination of Employment	Annual rates for termination range from 0.0% to 33.4% for males and 0.0% to 36.2% for females depending on entry age and years of service.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

D. Changes in Total OPEB Liability

	<u>Changes in Total OPEB Liability</u>
Balances as of December 31, 2016	\$394,729
Changes for the year:	
Service cost	12,537
Interest on total OPEB liability ⁽¹⁾	15,226
Changes of benefit terms ⁽²⁾	-
Effect of economic/demographic experience	(9,405)
Effect of assumptions changes or inputs ⁽³⁾	17,627
Benefit payments	(8,997)
Other	<u>-</u>
Balance as of December 31, 2017	<u>\$421,717</u>

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

⁽²⁾ No plan changes valued.

⁽³⁾ Reflects change in discount rate and the new assumptions adopted based on the January 1, 2013 – December 31, 2016 Investigation of Experience.

Sensitivity Analysis

The following presents the total OPEB liability of the County, calculated using the discount rate of 3.44%, 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 (2.44%) or 1 percentage point higher (4.44%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease <u>2.44%</u>	Current Discount Rate <u>3.44%</u>	1% Increase <u>4.44%</u>
Total OPEB liability	<u>\$502,520</u>	<u>\$421,717</u>	<u>\$358,597</u>

E. OPEB Expense

	<u>January 1, 2017 to December 31, 2017</u>
Service cost	\$12,537
Interest on total pension liability ⁽¹⁾	15,226
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	(1,568)
Recognition of assumption changes or inputs	2,938
Other	<u>-</u>
OPEB expense	<u>\$29,133</u>

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

F. Deferred Outflows / Inflows of Resources

As of December 31, 2017, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$7,838
Changes of assumptions	14,689	-
Contributions made subsequent to measurement date	<u>19,978</u>	<u>-</u>
Total	<u>\$34,667</u>	<u>\$7,838</u>

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

<u>Year Ended December 31:</u>	
2018	\$1,370
2019	1,370
2020	1,370
2021	1,370
2022	1,370

Retiree Health Care Plan

The County administers the Palo Pinto County Retiree Health Care Plan for retired employees.

A. Plan Description

Pre-65 Plan – Any employee who meets the retirement eligibility requirements of the TCDRS, and who leaves the employ of the County may, upon retirement, elect to remain on the County's group medical until the retiree reaches age 65 or qualifies for Medicare. The County pays 100% of the total monthly premium prescribed in the current health plan for retired participants who continue coverage. The retired employee may continue coverage for dependents, if he or she pays the entire premium for the dependent. Premiums are determined annually by estimating the amount needed to cover projected claims. The benefit is subject to annual appropriations by the Commissioners' Court.

Post-65 Plan – Retirees may purchase a Medicare supplement policy without prescription drug coverage for a reduced premium. Retirees have the option to purchase prescription drug coverage to which the County does not contribute. Spouses may receive the same plan at retiree's expense. Premiums and benefits are subject to change each year. Percent of premium paid by County is subject to change with the intent of leaving the dollar amount of benefit the same. The benefit is subject to annual appropriations by the Commissioners' Court.

B. Demographic Information

<u>Status</u>	<u>9/30/17</u>	<u>9/30/18</u>
Active – Employee Only	85	86
Active – Employee and Dependent	63	53
Retired – Employee Only	12	17
Retired – Employee and Dependent	2	2

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

C. Actuarial Methods and Assumptions Used for GASB Calculations

GASB accounting methodology were used to determine the post-retirement medical benefit obligations.

Actuarial Method	Individual Entry Age Normal Cost Method – Level Percentage of Projected Salary
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and date expected termination.
Total OPEB Liability	The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.
Discount Rate	4.06% (1.06% real rate of return plus 3.00% inflation)
Average Per Capita Claim Cost	The medical claim cost ranges from \$7,438 at age 50 to \$11,250 at age 64 and the Medicare supplement annual premium of \$3,151 is used for the per capita claims cost for age 65 and older.
Health Care Cost Trend	Level 5.00%
Effect of ACA	The excess coverage excise tax penalty of the Affordable Care Act has been postponed until the plan year beginning in 2022 and is not included in the projection of benefits in this valuation. This plan has current medical costs well under the limits in current law. Current legislative discussion include both repeal of the excise tax and postponement beyond 2022.
Mortality	RPH-2014 Total Table with Projection MP-2018
Turnover	Rates varying based on gender, age and select and ultimate at 15 years. Rates are based on the TCDRS actuarial assumptions from the 2017 retirement plan valuation report. The rates vary by entry age, gender and years. For males the rates range from 2.4% to 33.4% and for females the rates range from 2.7% to 36.2%.
Disability	None assumed
Retirement Rates	The retirement rates were developed from the assumption used in the 2017 actuarial report for the TCDRS retirement plans. The rates are unisex and range from 10% at age 50 to 25% at age 65.
Retiree Contributions	The retiree pays the full additional dependent contribution rate to age 65 and 65% of the Medicare supplement premium.
Salary Scale	3.50%

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

Data Assumptions - Coverage	100% of all who currently have healthcare coverage will continue with the same coverage until eligibility for Medicare. 100% of all actives who currently have healthcare coverage will continue with coverage upon retirement. For those with family coverage 25% will elect to continue with coverage including the spouse and the remainder will elect individual coverage. Spouse coverage is to age 65.
Valuation Date	September 30, 2018
Measurement Date	September 30, 2018

D. Changes in Total OPEB Liability

	<u>Changes in Total OPEB Liability</u>
Balances as of September 30, 2017	\$3,723,860
Changes for the year:	
Service cost	247,435
Interest cost	157,892
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Other changes	-
Contributions-employer	-
Net investment income	-
Benefit payments	(164,666)
Administrative expense	-
	<hr/>
Balance as of September 30, 2018	<u>\$3,964,521</u>

Sensitivity Analysis of the Discount and Trend Rate

Discount Rate

The following presents the total OPEB liability of the County, calculated using the discount rate of 4.06%, 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 (3.06%) or 1 percentage point higher (5.06%) than the current rate.

	1% Decrease <u>3.06%</u>	Current Discount Rate <u>4.06%</u>	1% Increase <u>5.06%</u>
Total OPEB liability	<u>\$4,519,518</u>	<u>\$3,964,521</u>	<u>\$3,512,402</u>

Trend Rate

The following presents the total OPEB liability of the County, calculated using the healthcare cost trend rate of 5.00%, 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 (4.00%) or 1 percentage point higher (6.00%) than the current rate.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

	1% Decrease <u>4.00%</u>	Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
Total OPEB liability	<u>\$3,426,278</u>	<u>\$3,964,521</u>	<u>\$4,646,428</u>

E. OPEB Expense

	October 1, 2017 to <u>September 30, 2018</u>
Service cost at October 1, 2017	\$247,435
Interest cost (including interest on Service Cost)	157,892
Changes of benefit terms	-
Current recognized deferred outflows (inflows)	-
Difference between expected and actual experience	-
Changes in assumptions or other inputs	-
Other changes, if significant	-
Difference of projected investment earnings	<u>-</u>
Total OPEB expense as of September 30, 2018	<u>\$405,327</u>

F. Deferred Outflows / Inflows of Resources

As of September 30, 2018, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions/inputs	-	-
Net difference between projected and actual investments	-	-
Contributions made subsequent to measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>

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

<u>Year Ended December 31:</u>	
2019	\$ -
2020	-
2021	-
2022	-
2023	-

The combined total OPEB liability, OPEB related deferred outflows of resources and OPEB related deferred inflows of resources of the Group Term Life Program and the Retiree Health Care Plan is as follows:

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

Total OPEB Liability	\$4,386,238
Deferred Outflows of Resources	34,667
Deferred Inflows of Resources	7,838

12. DEFERRED COMPENSATION PLAN

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code 457. The plans, available to all County employees on a voluntary basis, permit them to defer a portion of their salaries until future years. The County does not make any contributions to the plans.

Deferred compensation is available to employees' beneficiaries in case of death. One plan is through the National Association of Counties and its assets are administered by Nationwide Retirement Solutions, an independent third party administrator. The second plan's assets are managed by ITT Hartford, an independent administrator. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts and all income attributed to those amounts, property or rights are solely the property and rights of the participants.

13. JUDICIAL ASSESSMENT RECEIVABLES

At September 30, 2018, the County has not recorded the receivables from judicial assessments in the accompanying financial statements; nor have they been recorded in the prior year. Though these amounts are significant, the County has not determined the allowances for uncollectible amounts for recording them at year end. Consequently, the effects on the financial statements of not including the judicial assessment receivables are not reasonably determinable.

14. NET POSITION/FUND BALANCES

The Governmental Activities' net position consisted of the following at September 30, 2018:

Net investment in capital assets	<u>\$11,813,930</u>
Restricted:	
General Government	777,480
Administration of Justice	244,781
Public Safety	193,091
Corrections and Rehabilitation	81,451
Community and Economic Development	<u>133,244</u>
Total restricted	<u>1,430,047</u>
Unrestricted	<u>4,657,561</u>
Total net position	<u>\$17,901,538</u>

The Governmental Funds' fund balances consisted of the following at September 30, 2018:

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepays	\$ 224,344	\$ -	\$ 224,344
Inventories	51,213	-	51,213
Total nonspendable	<u>275,557</u>	<u>-</u>	<u>275,557</u>
Restricted:			
General Government	-	777,480	777,480
Administration of Justice	-	244,781	244,781
Public Safety	14,292	178,799	193,091
Corrections and Rehabilitation	-	81,451	81,451
Community and Economic Development	-	133,244	133,244
Total restricted	<u>14,292</u>	<u>1,415,755</u>	<u>1,430,047</u>
Committed:			
General Government	12,389	-	12,389
Health and Human Services	-	7,492	7,492
Infrastructure and Environmental Services	<u>16,885</u>	<u>1,285,982</u>	<u>1,302,867</u>
Total committed	<u>29,274</u>	<u>1,293,474</u>	<u>1,322,748</u>
Assigned:			
2018-19 budget deficit	<u>903,352</u>	<u>-</u>	<u>903,352</u>
Total assigned	<u>903,352</u>	<u>-</u>	<u>903,352</u>
Unassigned	<u>10,852,717</u>	<u>-</u>	<u>10,852,717</u>
Total fund balances	<u>\$12,075,192</u>	<u>\$2,709,229</u>	<u>\$14,784,421</u>

15. PRIOR PERIOD ADJUSTMENTS

Prior Year Sales and Use Tax Overpayment

In the current year, the County was notified by the State that the County received an overpayment of Sales and Use Tax in a prior year. The overpayment required a prior period adjustment to beginning general fund unassigned fund balance and governmental activities unrestricted net position that reduced the balances as of October 1, 2017 by \$32,424.

Implementation of GASB 75

In the current year, the County implemented GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions. Implementation of this statement was made to improve accounting and financial reporting by the County for other post-employment benefits provided by the TCDRS and the County's Retiree Health Care Plan as described in Note 11. Implementation required a prior period adjustment to beginning net position as of October 1, 2017.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2018

The prior period adjustment to reduce beginning unrestricted net position is composed of the following September 30, 2017 GASB 75 implementation and prior year sales and use tax overpayment amounts:

Net OPEB liability	(\$394,729)
Net of deferred outflows of resources	18,205
Prior year sales and use tax overpayment	<u>(32,424)</u>
Prior period adjustment	<u>(\$408,948)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

PALO PINTO COUNTY, TEXAS
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues				
Property taxes	\$ 10,698,996	\$ 10,698,996	\$ 10,826,584	\$ 127,588
Sales taxes	1,350,000	1,350,000	1,438,929	88,929
Mixed beverage tax	43,000	43,000	46,675	3,675
Licenses, fees and fines	2,463,510	2,463,510	2,576,511	113,001
Federal and state grants	201,000	216,042	237,136	21,094
Inmate revenue	68,500	68,500	96,875	28,375
Interest earned	124,500	124,500	179,614	55,114
Other revenue	164,300	169,900	263,108	93,208
Total revenues	15,113,806	15,134,448	15,665,432	530,984
Expenditures				
29th District Court	509,115	549,115	533,950	15,165
Commissioners' Court	50,372	50,372	49,759	613
Constable	451,935	451,935	441,103	10,832
County Attorney	267,521	267,521	261,044	6,477
County Auditor	264,726	264,726	261,819	2,907
County Clerk	325,966	326,050	310,534	15,516
County Court	200,306	200,306	193,594	6,712
County Extension Service	103,038	103,038	95,719	7,319
County Treasurer	131,044	131,044	129,064	1,980
District Attorney	347,705	347,705	321,647	26,058
District Clerk	232,886	232,886	229,073	3,813
Election Administration	503,297	503,297	493,736	9,561
Emergency Management	138,333	138,333	80,264	58,069
Emergency Medical & Health Services	686,000	686,000	579,590	106,410
General Operations	3,170,638	3,130,138	2,929,331	200,807
Health Services	10,000	10,000	10,000	-
Information Technology	139,012	139,012	131,247	7,765
Inmate Contract	261,189	269,209	267,812	1,397
Jail and Detention	2,008,993	2,072,273	1,987,929	84,344
Justice of the Peace	561,146	561,146	549,152	11,994
Narcotics Unit	170,730	160,480	150,643	9,837
Public Works	416,911	416,911	375,818	41,093
Road and Bridge:				
Precinct No. 1	594,795	714,694	670,786	43,908
Precinct No. 2	952,232	964,060	714,006	250,054
Precinct No. 3	745,180	754,623	561,501	193,122
Precinct No. 4	700,327	822,625	692,700	129,925
Sheriff	1,920,646	1,874,638	1,717,821	156,817
Tax Assessor-Collector	580,907	580,823	557,326	23,497
Veterans' Administration	60,043	60,043	58,684	1,359
Total expenditures	16,504,993	16,783,003	15,355,652	1,427,351
Excess (deficiency) of revenues over (under) expenditures before other sources and (uses)	(1,391,187)	(1,648,555)	309,780	1,958,335

PALO PINTO COUNTY, TEXAS
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Other sources and (uses):				
Proceeds from the issuance of capital leases	-	217,597	217,597	-
Proceeds from the sale of capital assets	-	46,271	93,479	47,208
Transfers in	-	-	6,630	6,630
Transfers out	(595,000)	(601,500)	(601,500)	-
Total other sources and (uses)	(595,000)	(337,632)	(283,794)	53,838
Net change in fund balances	(1,986,187)	(1,986,187)	25,986	2,012,173
Fund balances, beginning of year, as originally stated	12,081,630	12,081,630	12,081,630	-
Prior period adjustment	-	-	(32,424)	(32,424)
Fund balances, beginning of year, as restated	12,081,630	12,081,630	12,049,206	(32,424)
Fund balances, end of year	<u>\$ 10,095,443</u>	<u>\$ 10,095,443</u>	<u>\$ 12,075,192</u>	<u>\$ 1,979,749</u>

PALO PINTO COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service cost	\$ 995,107	\$ 1,207,726	\$ 1,046,808	\$ 1,018,218	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	2,546,892	2,503,133	2,523,339	2,357,748	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	2,847,868	(3,403,227)	(192,524)	-	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes or inputs	168,325	-	415,741	-	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(272,062)	(336,008)	(989,135)	(109,415)	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,636,946)	(1,373,929)	(1,336,135)	(1,354,829)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	4,649,184	(1,402,305)	1,468,094	1,911,722	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	31,250,537	32,652,842	31,184,748	29,273,026	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	<u>\$ 35,899,721</u>	<u>\$ 31,250,537</u>	<u>\$ 32,652,842</u>	<u>\$ 31,184,748</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary Net Position										
Employer contributions	\$ 856,180	\$ 868,018	\$ 887,413	\$ 836,369	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	536,931	512,318	517,657	483,850	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	4,055,653	1,923,170	(48,568)	1,684,170	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,636,946)	(1,373,929)	(1,336,135)	(1,354,829)	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(21,015)	(20,966)	(18,878)	(19,747)	N/A	N/A	N/A	N/A	N/A	N/A
Other	(3,489)	(180,009)	(322,305)	(93,265)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	3,787,314	1,728,602	(320,816)	1,536,548	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	27,811,959	26,083,357	26,404,173	24,867,625	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	<u>\$ 31,599,273</u>	<u>\$ 27,811,959</u>	<u>\$ 26,083,357</u>	<u>\$ 26,404,173</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 4,300,448</u>	<u>\$ 3,438,578</u>	<u>\$ 6,569,485</u>	<u>\$ 4,780,575</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	<u>88.02%</u>	<u>89.00%</u>	<u>79.88%</u>	<u>84.67%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Pensionable covered payroll	<u>\$ 7,497,204</u>	<u>\$ 7,318,831</u>	<u>\$ 7,395,103</u>	<u>\$ 6,912,147</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability as a % of covered payroll	<u>57.36%</u>	<u>46.98%</u>	<u>88.84%</u>	<u>69.16%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

PALO PINTO COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution (1)</u>	<u>Actual Employer Contribution (1)</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll (2)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2008	\$ 506,713	\$ 706,713	\$ (200,000)	\$ 5,824,287	12.1%
2009	681,427	881,427	(200,000)	6,211,733	14.2%
2010	666,829	866,829	(200,000)	6,232,046	13.9%
2011	657,457	657,457	-	6,121,549	10.7%
2012	692,767	692,767	-	6,338,220	10.9%
2013	769,860	769,860	-	6,694,417	11.5%
2014	836,369	836,369	-	6,912,147	12.1%
2015	887,413	887,413	-	7,395,103	12.0%
2016	868,018	868,018	-	7,318,831	11.9%
2017	856,180	856,180	-	7,497,204	11.4%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS.

(2) Payroll is calculated based on contributions as reported to TCDRS.

PALO PINTO COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total OPEB Liability										
Service cost	\$ 12,537	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total OEPB liability	15,226	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	17,627	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(9,405)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(8,997)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	26,988	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	394,729	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	<u>\$ 421,717</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Pensionable covered payroll	<u>\$ 7,497,204</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net OPEB liability as a % of covered payroll	<u>5.62%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

PALO PINTO COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OTHER POST EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

	<u>2017</u>
Contractually required contribution	\$ 8,997
Contributions in relation to the contractually required contribution	<u>(8,997)</u>
Contribution deficiency	<u>\$ -</u>
Pensionable covered payroll	<u>\$ 7,497,204</u>
Contributions as a percentage of pensionable covered payroll	<u>0.12%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been prepared.

Note - the contractually required contribution is for the County's indicated fiscal year.

PALO PINTO COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
 PALO PINTO COUNTY RETIREE HEALTH CARE PLAN

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service cost	\$ 247,435	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest cost	157,892	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change of benefit terms	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Difference between expected and actual experience	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes in assumptions	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other changes	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions-employer	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(164,666)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expense	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	240,661	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	3,723,860	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	\$ 3,964,521	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$ 6,627,588	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net OPEB liability as a % of covered payroll	59.82%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

PALO PINTO COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2018

BUDGET

Annual budgets are adopted on the GAAP basis of accounting for all governmental funds except capital project funds. All annual appropriations lapse at fiscal year-end.

The County Judge is, by statute, the Budget Officer of the County and has the responsibility of preparing the County's budget. Under the County's budgeting procedures, each department submits a budget request to the County Judge. The County Judge reviews budget requests and holds informal hearings when needed. Before October 1, a proposed budget is presented to the Commissioners' Court. A public hearing is then held and the Commissioners' Court takes action on the proposed budget. Before determining the final budget, the Commissioners' Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the estimate of revenues and available fund balance.

Once the budget has been adopted by the Commissioners' Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping members of the Commissioners' Court advised of the conditions of the various funds and accounts.

The appropriated budget is prepared by fund. Any transfers of appropriations are first approved by the Commissioners' Court. No amendments may be made without Commissioners' Court approval to the total budget for each department within a fund. Thus, the legal level of budgetary control is at the department level. No supplemental appropriations were required during the year.

DEFINED BENEFIT PENSION PLAN

Texas County and District Retirement System

Changes in benefit terms or assumptions

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

DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

Texas County and District Retirement System

Changes in benefit terms or assumptions

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

Palo Pinto County Retiree Health Care Plan

Changes in benefit terms or assumptions

The mortality assumption was updated using the RPH-2014 mortality table with Projection MP-2018. The termination and retirement rate tables were based on the assumptions used in the 2017 actuarial valuations prepared for the Texas County and District Retirement System plans covering local governments. The discount rate was lowered from 4.50% to 4.06% to conform to the discount selection requirements of GASB 75.

***COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AS SUPPLEMENTARY INFORMATION***

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

PALO PINTO COUNTY, TEXAS
COMBINING BALANCE SHEET - GENERAL FUND
SEPTEMBER 30, 2018

	10	11/12/13/14	
	General	Road	
	Fund	and Bridge	Total
	Fund	Fund	
ASSETS			
Cash	\$ 608,008	\$ 148,483	\$ 756,491
Investments	8,542,938	2,668,843	11,211,781
Receivables, net:			
Property taxes	215,748	39,440	255,188
Sales tax	239,905	-	239,905
Accounts	129,342	29,937	159,279
Due from other funds	106,640	30,093	136,733
Prepaid expenses	224,344	-	224,344
Inventory	2,516	48,697	51,213
Total assets	<u>\$ 10,069,441</u>	<u>\$ 2,965,493</u>	<u>\$ 13,034,934</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 148,319	\$ 53,562	\$ 201,881
Accrued liabilities	435,103	29,710	464,813
Due to other funds	3,828	-	3,828
Due to others	34,032	-	34,032
Total liabilities	<u>621,282</u>	<u>83,272</u>	<u>704,554</u>
Deferred inflows of resources:			
Unavailable property taxes	<u>215,748</u>	<u>39,440</u>	<u>255,188</u>
Fund balances:			
Nonspendable	226,860	48,697	275,557
Restricted	14,292	-	14,292
Committed	29,274	-	29,274
Assigned	405,519	497,833	903,352
Unassigned	8,556,466	2,296,251	10,852,717
Total fund balances	<u>9,232,411</u>	<u>2,842,781</u>	<u>12,075,192</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,069,441</u>	<u>\$ 2,965,493</u>	<u>\$ 13,034,934</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	10	11/12/13/14	
	General	Road	Total
	Fund	and Bridge	
	Fund	Fund	
Revenues			
Property taxes	\$ 9,170,644	\$ 1,655,940	\$ 10,826,584
Sales taxes	1,438,929	-	1,438,929
Mixed beverage tax	46,675	-	46,675
Licenses, fees and fines	1,889,529	686,982	2,576,511
Federal and state grants	237,136	-	237,136
Inmate revenue	96,875	-	96,875
Interest earned	139,788	39,826	179,614
Other revenue	253,932	9,176	263,108
Total revenues	13,273,508	2,391,924	15,665,432
Expenditures			
29th District Court	533,950	-	533,950
Commissioners' Court	49,759	-	49,759
Constable	441,103	-	441,103
County Attorney	261,044	-	261,044
County Auditor	261,819	-	261,819
County Clerk	310,534	-	310,534
County Court	193,594	-	193,594
County Extension Service	95,719	-	95,719
County Treasurer	129,064	-	129,064
District Attorney	321,647	-	321,647
District Clerk	229,073	-	229,073
Election Administration	493,736	-	493,736
Emergency Management	80,264	-	80,264
Emergency Medical & Health Services	579,590	-	579,590
General operations	2,929,331	-	2,929,331
Health services	10,000	-	10,000
Information Technology	131,247	-	131,247
Inmate contract	267,812	-	267,812
Jail and detention	1,987,929	-	1,987,929
Justice of the Peace	549,152	-	549,152
Narcotics Unit	150,643	-	150,643
Public Works	375,818	-	375,818
Road and Bridge:			
Precinct No. 1	-	670,786	670,786
Precinct No. 2	-	714,006	714,006
Precinct No. 3	-	561,501	561,501
Precinct No. 4	-	692,700	692,700
Sheriff	1,717,821	-	1,717,821
Tax Assessor-Collector	557,326	-	557,326
Veteran's Administration	58,684	-	58,684
Total expenditures	12,716,659	2,638,993	15,355,652
Excess of revenues over (under) expenditures before other sources and (uses)	556,849	(247,069)	309,780
Other sources and (uses):			
Proceeds from the issuance of capital leases	-	217,597	217,597
Proceeds from the sale of capital assets	11,839	81,640	93,479
Transfers in	6,000	630	6,630
Transfers out	(595,500)	(6,000)	(601,500)
Total other sources and (uses)	(577,661)	293,867	(283,794)
Net change in fund balances	(20,812)	46,798	25,986
Fund balances, beginning of year, as originally stated	9,285,647	2,795,983	12,081,630
Prior period adjustment	(32,424)	-	(32,424)
Fund balances, beginning of year, as restated	9,253,223	2,795,983	12,049,206
Fund balances, end of year	\$ 9,232,411	\$ 2,842,781	\$ 12,075,192

PALO PINTO COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General (10)		
	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 9,062,839	\$ 9,170,644	\$ 107,805
Sales taxes	1,350,000	1,438,929	88,929
Mixed beverage tax	43,000	46,675	3,675
Licenses, fees and fines	1,797,010	1,889,529	92,519
Federal and state grants	216,042	237,136	21,094
Inmate revenue	68,500	96,875	28,375
Interest earned	95,000	139,788	44,788
Other revenue	163,300	253,932	90,632
Total revenues	12,795,691	13,273,508	477,817
Expenditures			
29th District Court	549,115	533,950	15,165
Commissioners' Court	50,372	49,759	613
Constable	451,935	441,103	10,832
County Attorney	267,521	261,044	6,477
County Auditor	264,726	261,819	2,907
County Clerk	326,050	310,534	15,516
County Court	200,306	193,594	6,712
County Extension Service	103,038	95,719	7,319
County Treasurer	131,044	129,064	1,980
District Attorney	347,705	321,647	26,058
District Clerk	232,886	229,073	3,813
Election Administration	503,297	493,736	9,561
Emergency Management	138,333	80,264	58,069
Emergency Medical & Health Services	686,000	579,590	106,410
General operations	3,130,138	2,929,331	200,807
Health services	10,000	10,000	-
Information Technology	139,012	131,247	7,765
Inmate contract	269,209	267,812	1,397
Jail and detention	2,072,273	1,987,929	84,344
Justice of the Peace	561,146	549,152	11,994
Narcotics Unit	160,480	150,643	9,837
Public Works	416,911	375,818	41,093
Road and Bridge:			
Precinct No. 1	-	-	-
Precinct No. 2	-	-	-
Precinct No. 3	-	-	-
Precinct No. 4	-	-	-
Sheriff	1,874,638	1,717,821	156,817
Tax Assessor-Collector	580,823	557,326	23,497
Veteran's Administration	60,043	58,684	1,359
Total expenditures	13,527,001	12,716,659	810,342
Excess (deficiency) of revenues over (under) expenditures before other sources and (uses)	(731,310)	556,849	1,288,159
Other sources and (uses):			
Proceeds from the issuance of capital leases	-	-	-
Proceeds from the sale of capital assets	-	11,839	11,839
Transfers in	-	6,000	6,000
Transfers out	(595,500)	(595,500)	-
Total other sources and (uses):	(595,500)	(577,661)	17,839
Net change in fund balances	(1,326,810)	(20,812)	1,305,998
Fund balances, beginning of year, as originally stated	9,285,647	9,285,647	-
Prior period adjustment	-	(32,424)	(32,424)
Fund balances, beginning of year, as restated	9,285,647	9,253,223	(32,424)
Fund balances, end of year	\$ 7,958,837	\$ 9,232,411	\$ 1,273,574

EXHIBIT C-3

Road and Bridge (11/12/13/14)			Total		
Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,636,157	\$ 1,655,940	\$ 19,783	\$ 10,698,996	\$ 10,826,584	\$ 127,588
-	-	-	1,350,000	1,438,929	88,929
-	-	-	43,000	46,675	3,675
666,500	686,982	20,482	2,463,510	2,576,511	113,001
-	-	-	216,042	237,136	21,094
-	-	-	68,500	96,875	28,375
29,500	39,826	10,326	124,500	179,614	55,114
6,600	9,176	2,576	169,900	263,108	93,208
<u>2,338,757</u>	<u>2,391,924</u>	<u>53,167</u>	<u>15,134,448</u>	<u>15,665,432</u>	<u>530,984</u>
-	-	-	549,115	533,950	15,165
-	-	-	50,372	49,759	613
-	-	-	451,935	441,103	10,832
-	-	-	267,521	261,044	6,477
-	-	-	264,726	261,819	2,907
-	-	-	326,050	310,534	15,516
-	-	-	200,306	193,594	6,712
-	-	-	103,038	95,719	7,319
-	-	-	131,044	129,064	1,980
-	-	-	347,705	321,647	26,058
-	-	-	232,886	229,073	3,813
-	-	-	503,297	493,736	9,561
-	-	-	138,333	80,264	58,069
-	-	-	686,000	579,590	106,410
-	-	-	3,130,138	2,929,331	200,807
-	-	-	10,000	10,000	-
-	-	-	139,012	131,247	7,765
-	-	-	269,209	267,812	1,397
-	-	-	2,072,273	1,987,929	84,344
-	-	-	561,146	549,152	11,994
-	-	-	160,480	150,643	9,837
-	-	-	416,911	375,818	41,093
714,694	670,786	43,908	714,694	670,786	43,908
964,060	714,006	250,054	964,060	714,006	250,054
754,623	561,501	193,122	754,623	561,501	193,122
822,625	692,700	129,925	822,625	692,700	129,925
-	-	-	1,874,638	1,717,821	156,817
-	-	-	580,823	557,326	23,497
-	-	-	60,043	58,684	1,359
<u>3,256,002</u>	<u>2,638,993</u>	<u>617,009</u>	<u>16,783,003</u>	<u>15,355,652</u>	<u>1,427,351</u>
(917,245)	(247,069)	670,176	(1,648,555)	309,780	1,958,335
217,597	217,597	-	217,597	217,597	-
46,271	81,640	35,369	46,271	93,479	47,208
-	630	630	-	6,630	6,630
(6,000)	(6,000)	-	(601,500)	(601,500)	-
<u>257,868</u>	<u>293,867</u>	<u>35,999</u>	<u>(337,632)</u>	<u>(283,794)</u>	<u>53,838</u>
(659,377)	46,798	706,175	(1,986,187)	25,986	2,012,173
2,795,983	2,795,983	-	12,081,630	12,081,630	-
-	-	-	-	(32,424)	(32,424)
<u>2,795,983</u>	<u>2,795,983</u>	<u>-</u>	<u>12,081,630</u>	<u>12,049,206</u>	<u>(32,424)</u>
<u>\$ 2,136,606</u>	<u>\$ 2,842,781</u>	<u>\$ 706,175</u>	<u>\$ 10,095,443</u>	<u>\$ 12,075,192</u>	<u>\$ 1,979,749</u>

PALO PINTO COUNTY, TEXAS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Special Revenue Funds					
	20	23	24	25	30	32
	Commissary	Historical Commission	Marlow Cemetery Trust	County Attorney	District Attorney Fees	Tax Assessor- Collector
ASSETS						
Cash	\$ 81,652	\$ 18,343	\$ 1,155	\$ 420	\$ 1,541	\$ 5,447
Investments	-	-	-	-	-	-
Receivables, net:						
Occupancy taxes	-	-	-	-	-	-
Accounts	11	-	-	-	-	-
Due from other funds	-	-	-	15	-	170
Total assets	<u>\$ 81,663</u>	<u>\$ 18,343</u>	<u>\$ 1,155</u>	<u>\$ 435</u>	<u>\$ 1,541</u>	<u>\$ 5,617</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ 1,149	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to others	212	-	-	-	-	-
Total liabilities	<u>212</u>	<u>1,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Restricted	81,451	17,194	-	435	1,541	5,617
Committed	-	-	1,155	-	-	-
Total fund balances	<u>81,451</u>	<u>17,194</u>	<u>1,155</u>	<u>435</u>	<u>1,541</u>	<u>5,617</u>
Total liabilities and fund balances	<u>\$ 81,663</u>	<u>\$ 18,343</u>	<u>\$ 1,155</u>	<u>\$ 435</u>	<u>\$ 1,541</u>	<u>\$ 5,617</u>

Special Revenue Funds							
35 Hotel/ Motel Fund	42 District Attorney Forfeited	43 Constable Forfeited	45 Sheriff Forfeited	48 District Attorney State	49 Election Services Fund	50 County Clerk PRF	51 District Clerk PRF
\$ 60,767	\$ 77,734	\$ 498	\$ 99,725	\$ 21,704	\$ 31,547	\$ 78,095	\$ 59,329
-	-	-	-	-	-	430,171	-
55,283	-	-	-	-	-	-	-
-	-	-	-	-	6,539	-	-
-	-	-	-	-	-	11,131	834
<u>\$ 116,050</u>	<u>\$ 77,734</u>	<u>\$ 498</u>	<u>\$ 99,725</u>	<u>\$ 21,704</u>	<u>\$ 38,086</u>	<u>\$ 519,397</u>	<u>\$ 60,163</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	794	-	576	-
-	-	-	-	-	-	-	-
-	-	-	-	794	-	576	-
116,050	77,734	498	99,725	20,910	38,086	518,821	60,163
-	-	-	-	-	-	-	-
<u>116,050</u>	<u>77,734</u>	<u>498</u>	<u>99,725</u>	<u>20,910</u>	<u>38,086</u>	<u>518,821</u>	<u>60,163</u>
<u>\$ 116,050</u>	<u>\$ 77,734</u>	<u>\$ 498</u>	<u>\$ 99,725</u>	<u>\$ 21,704</u>	<u>\$ 38,086</u>	<u>\$ 519,397</u>	<u>\$ 60,163</u>

PALO PINTO COUNTY, TEXAS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Special Revenue Funds					
	52	53	54	55	56	57
	Preservation of Records	Juvenile Case Management	Law Library Fund	Courthouse Security Fund	Justice Technology Fund	Justice Court Security Fee
ASSETS						
Cash	\$ 69,805	\$ 33,111	\$ 83,261	\$ 5,062	\$ 86,520	\$ 21,914
Investments	-	-	-	75,006	-	-
Receivables, net:						
Occupancy taxes	-	-	-	-	-	-
Accounts	-	-	-	-	-	-
Due from other funds	841	977	1,575	1,527	954	207
Total assets	<u>\$ 70,646</u>	<u>\$ 34,088</u>	<u>\$ 84,836</u>	<u>\$ 81,595</u>	<u>\$ 87,474</u>	<u>\$ 22,121</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 23	\$ -	\$ 766	\$ -	\$ 20	\$ -
Accrued liabilities	-	-	-	2,521	-	-
Due to others	-	-	-	-	-	-
Total liabilities	<u>23</u>	<u>-</u>	<u>766</u>	<u>2,521</u>	<u>20</u>	<u>-</u>
Fund balances:						
Restricted	70,623	34,088	84,070	79,074	87,454	22,121
Committed	-	-	-	-	-	-
Total fund balances	<u>70,623</u>	<u>34,088</u>	<u>84,070</u>	<u>79,074</u>	<u>87,454</u>	<u>22,121</u>
Total liabilities and fund balances	<u>\$ 70,646</u>	<u>\$ 34,088</u>	<u>\$ 84,836</u>	<u>\$ 81,595</u>	<u>\$ 87,474</u>	<u>\$ 22,121</u>

58	Debt Service Fund	Capital Projects Funds				Total Other Governmental Funds
	62 Texas Capital Fund	70 Texas Capital Fund	72 Dempsey Facility	74 Capital Improvement Fund	78 Sewer Grant Fund	
\$ 6,665	\$ -	\$ 100	\$ 100,661	\$ 19,339	\$ -	\$ 964,395
-	-	-	300,025	861,457	-	1,666,659
-	-	-	-	-	-	55,283
48	-	-	4,500	-	3,226	14,324
-	-	-	-	-	-	18,231
<u>\$ 6,713</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 405,186</u>	<u>\$ 880,796</u>	<u>\$ 3,226</u>	<u>\$ 2,718,892</u>
\$ 376	\$ -	\$ -	\$ -	\$ -	\$ 3,226	\$ 5,560
-	-	-	-	-	-	3,891
-	-	-	-	-	-	212
<u>376</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,226</u>	<u>9,663</u>
-	-	100	-	-	-	1,415,755
6,337	-	-	405,186	880,796	-	1,293,474
<u>6,337</u>	<u>-</u>	<u>100</u>	<u>405,186</u>	<u>880,796</u>	<u>-</u>	<u>2,709,229</u>
<u>\$ 6,713</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 405,186</u>	<u>\$ 880,796</u>	<u>\$ 3,226</u>	<u>\$ 2,718,892</u>

PALO PINTO COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds					
	20	23	24	25	30	32
	Commissary	Historical Commission	Marlow Cemetery Trust	County Attorney	District Attorney Fees	Tax Assessor- Collector
Revenues						
Occupancy tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and fines	-	-	-	1,921	9	788
Federal and state grants	-	-	-	-	-	-
Commissary revenue	84,936	-	-	-	-	-
Interest earned	-	33	7	-	-	32
Other revenue	-	18,030	-	-	-	-
Total revenues	<u>84,936</u>	<u>18,063</u>	<u>7</u>	<u>1,921</u>	<u>9</u>	<u>820</u>
Expenditures						
Capital projects	-	-	-	-	-	-
Commissary	48,825	-	-	-	-	-
County Attorney	-	-	-	2,263	-	-
County Clerk	-	-	-	-	-	-
Courthouse security	-	-	-	-	-	-
Debt Service - principal	-	-	-	-	-	-
District Attorney	-	-	-	-	-	-
Elections Administration	-	-	-	-	-	-
General operations	-	1,369	150	-	-	-
Hotel/motel tax	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-
Vending expenditures	-	-	-	-	-	-
Total expenditures	<u>48,825</u>	<u>1,369</u>	<u>150</u>	<u>2,263</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before other sources and (uses)	<u>36,111</u>	<u>16,694</u>	<u>(143)</u>	<u>(342)</u>	<u>9</u>	<u>820</u>
Other sources and (uses):						
Transfers in	-	500	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other sources and (uses)	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>36,111</u>	<u>17,194</u>	<u>(143)</u>	<u>(342)</u>	<u>9</u>	<u>820</u>
Fund balances, beginning of year	<u>45,340</u>	<u>-</u>	<u>1,298</u>	<u>777</u>	<u>1,532</u>	<u>4,797</u>
Fund balances, end of year	<u>\$ 81,451</u>	<u>\$ 17,194</u>	<u>\$ 1,155</u>	<u>\$ 435</u>	<u>\$ 1,541</u>	<u>\$ 5,617</u>

Special Revenue Funds							
35 Hotel/ Motel Fund	42 District Attorney Forfeited	43 Constable Forfeited	45 Sheriff Forfeited	48 District Attorney State	49 Election Services Fund	50 County Clerk PRF	51 District Clerk PRF
\$ 152,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	7,591	137,426	11,009
-	-	-	-	27,500	-	-	-
461	532	3	701	23	185	6,143	357
-	-	-	-	-	5,882	-	-
<u>153,336</u>	<u>532</u>	<u>3</u>	<u>701</u>	<u>27,523</u>	<u>13,658</u>	<u>143,569</u>	<u>11,366</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	107,810	-
-	-	-	-	-	-	-	-
-	11,697	-	-	24,957	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	3,130	-	2,905
147,453	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	18,973	-	-	-	-
<u>147,453</u>	<u>11,697</u>	<u>-</u>	<u>18,973</u>	<u>24,957</u>	<u>3,130</u>	<u>107,810</u>	<u>2,905</u>
-	-	-	-	-	-	-	-
5,883	(11,165)	3	(18,272)	2,566	10,528	35,759	8,461
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,883	(11,165)	3	(18,272)	2,566	10,528	35,759	8,461
110,167	88,899	495	117,997	18,344	27,558	483,062	51,702
<u>\$ 116,050</u>	<u>\$ 77,734</u>	<u>\$ 498</u>	<u>\$ 99,725</u>	<u>\$ 20,910</u>	<u>\$ 38,086</u>	<u>\$ 518,821</u>	<u>\$ 60,163</u>

PALO PINTO COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds					
	52	53	54	55	56	57
	Preservation of Records	Juvenile Case Management	Law Library Fund	Courthouse Security Fund	Justice Technology Fund	Justice Court Security Fee
Revenues						
Occupancy tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and fines	11,727	18,805	18,515	21,831	15,136	3,510
Federal and state grants	-	-	-	-	-	-
Commissary revenue	-	-	-	-	-	-
Interest earned	446	198	495	872	526	126
Other revenue	-	-	-	-	-	-
Total revenues	12,173	19,003	19,010	22,703	15,662	3,636
Expenditures						
Capital projects	-	-	-	-	-	-
Commissary	-	-	-	-	-	-
County Attorney	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-
Courthouse security	-	-	-	54,798	-	-
Debt Service - principal	-	-	-	-	-	-
District Attorney	-	-	-	-	-	-
Elections Administration	-	-	-	-	-	-
General operations	8,405	17,000	11,178	-	11,742	-
Hotel/motel tax	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-
Vending expenditures	-	-	-	-	-	-
Total expenditures	8,405	17,000	11,178	54,798	11,742	-
Excess (deficiency) of revenues over (under) expenditures before other sources and (uses)	3,768	2,003	7,832	(32,095)	3,920	3,636
Other sources and (uses):						
Transfers in	-	-	-	30,000	-	-
Transfers out	-	-	-	-	-	-
Total other sources and (uses)	-	-	-	30,000	-	-
Net change in fund balances	3,768	2,003	7,832	(2,095)	3,920	3,636
Fund balances, beginning of year	66,855	32,085	76,238	81,169	83,534	18,485
Fund balances, end of year	\$ 70,623	\$ 34,088	\$ 84,070	\$ 79,074	\$ 87,454	\$ 22,121

EXHIBIT C-5

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58	Debt Service	Capital Projects				Total Other Governmental Funds
	Fund	70	72	74	78	
Employee Fund	62 Texas Capital Fund	Texas Capital Fund	Dempsey Facility	Capital Improvement Fund	Sewer Grant Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 152,875
-	-	-	-	-	-	248,268
-	-	-	-	-	32,480	59,980
-	-	-	-	-	-	84,936
38	-	-	3,166	4,772	-	19,116
3,154	28,000	-	137,215	-	-	192,281
3,192	28,000	-	140,381	4,772	32,480	757,456
-	-	-	18,311	20,000	-	38,311
-	-	-	-	-	-	48,825
-	-	-	-	-	-	2,263
-	-	-	-	-	-	107,810
-	-	-	-	-	-	54,798
-	28,000	-	-	-	-	28,000
-	-	-	-	-	-	36,654
-	-	-	-	-	-	-
-	-	-	-	-	-	55,879
-	-	-	-	-	-	147,453
-	-	-	-	-	32,480	32,480
-	-	-	-	-	-	18,973
2,542	-	-	-	-	-	2,542
2,542	28,000	-	18,311	20,000	32,480	573,988
650	-	-	122,070	(15,228)	-	183,468
-	-	-	-	500,000	-	530,500
-	-	-	(630)	-	-	(630)
-	-	-	(630)	500,000	-	529,870
650	-	-	121,440	484,772	-	713,338
5,687	-	100	283,746	396,024	-	1,995,891
\$ 6,337	\$ -	\$ 100	\$ 405,186	\$ 880,796	\$ -	\$ 2,709,229

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
SEPTEMBER 30, 2018

	40 District Attorney Seized Funds	79 Sheriff's Department Civil Process	80 Tax Collection	81 Auto Registration	82 Justice of the Peace Precinct #2
Assets					
Cash	\$ 75,688	\$ 4,075	\$ 348,121	\$ 427,244	\$ 3,492
Investments	-	-	-	-	-
Other receivables	-	-	-	-	117
Due from other funds	-	-	-	-	-
Total assets	<u>\$ 75,688</u>	<u>\$ 4,075</u>	<u>\$ 348,121</u>	<u>\$ 427,244</u>	<u>\$ 3,609</u>
Liabilities					
Due to other funds	\$ -	\$ 2,075	\$ 23,686	\$ 39,775	\$ 2,403
Due to others	<u>75,688</u>	<u>2,000</u>	<u>324,435</u>	<u>387,469</u>	<u>1,206</u>
Total liabilities	<u>\$ 75,688</u>	<u>\$ 4,075</u>	<u>\$ 348,121</u>	<u>\$ 427,244</u>	<u>\$ 3,609</u>

83	84	85	87	88	89	90
Justice of the Peace Precinct #3	Justice of the Peace Precinct #4	Justice of the Peace Precinct #5	County Treasurer (Special)	County Clerk	Juvenile Rest	District Clerk
\$ 5,229	\$ 5,189	\$ 7,973	\$ 81,732	\$ 30,491	\$ 345	\$ 15,967
-	-	-	-	-	-	-
117	1,732	1,822	-	6,891	-	6,411
-	-	-	35,200	-	-	-
<u>\$ 5,346</u>	<u>\$ 6,921</u>	<u>\$ 9,795</u>	<u>\$ 116,932</u>	<u>\$ 37,382</u>	<u>\$ 345</u>	<u>\$ 22,378</u>
\$ 3,746	\$ 4,035	\$ 7,473	\$ 74	\$ 33,889	\$ 200	\$ 21,076
1,600	2,886	2,322	116,858	3,493	145	1,302
<u>\$ 5,346</u>	<u>\$ 6,921</u>	<u>\$ 9,795</u>	<u>\$ 116,932</u>	<u>\$ 37,382</u>	<u>\$ 345</u>	<u>\$ 22,378</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
SEPTEMBER 30, 2018

	91	92	93	94
	Health Savings Account	Justice of the Peace Precinct #1	County Clerk	County Attorney
Assets				
Cash	\$ 1,296	\$ 28,833	\$ 102,586	\$ 1,801
Investments	-	-	-	-
Other receivables	-	4,875	-	-
Due from other funds	-	-	-	-
Total assets	<u>\$ 1,296</u>	<u>\$ 33,708</u>	<u>\$ 102,586</u>	<u>\$ 1,801</u>
Liabilities				
Due to other funds	\$ -	\$ 21,699	\$ 23,208	\$ 15
Due to others	<u>1,296</u>	<u>12,009</u>	<u>79,378</u>	<u>1,786</u>
Total liabilities	<u>\$ 1,296</u>	<u>\$ 33,708</u>	<u>\$ 102,586</u>	<u>\$ 1,801</u>

95	96	97	98	110	
District Clerk	District Attorney	Public Works	Inmate Trust	Deferred Compensation	Totals
\$ 330,501	\$ 6,505	\$ 2,280	\$ 11,595	\$ -	\$ 1,490,943
104,117	-	-	-	923,979	1,028,096
-	-	-	-	-	21,965
-	-	-	-	-	35,200
<u>\$ 434,618</u>	<u>\$ 6,505</u>	<u>\$ 2,280</u>	<u>\$ 11,595</u>	<u>\$ 923,979</u>	<u>\$ 2,576,204</u>
\$ -	\$ -	\$ 1,950	\$ 1,032	\$ -	\$ 186,336
434,618	6,505	330	10,563	923,979	2,389,868
<u>\$ 434,618</u>	<u>\$ 6,505</u>	<u>\$ 2,280</u>	<u>\$ 11,595</u>	<u>\$ 923,979</u>	<u>\$ 2,576,204</u>

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - COMMISSARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Revenues	
Commissary revenue	\$ 26,636
Phone card revenue	48,670
Over-the-counter revenue	9,603
Other income	27
Total revenues	<u>84,936</u>
Expenditures	
Commissary:	
Operations and management	3,300
Phone card expense	15,270
Commissary supplies	3,751
Over-the-counter supplies	5,949
Indigent supplies	7,331
Cable TV	850
Miscellaneous expense	8,658
Capital expense	3,716
Total expenditures	<u>48,825</u>
Excess of revenues over expenditures	36,111
Fund balance, beginning of year	<u>45,340</u>
Fund balance, end of year	<u>\$ 81,451</u>