

GONZALES COUNTY, TEXAS

Annual Financial Report

For the fiscal year ended

September 30, 2018

Gonzales County, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2018

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FINANCIAL SECTION

BEYER & Co.
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INDEPENDENT AUDITOR'S REPORT

To the County Judge and Commissioners' Court
Gonzales County, Texas

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, employees' retirement system information, and the OPEB system information on pages 3–12, 93-96, and 97–98 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 Gonzales County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



BEYER & COMPANY
Certified Public Accountants
April 24, 2019

Management's Discussion and Analysis

As management of Gonzales County, Texas, we offer readers of Gonzales County, Texas' financial statements this narrative overview and analysis of the financial activities of Gonzales County, Texas for the fiscal year ended September 30, 2018.

Financial Highlights

- . The assets of Gonzales County, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$41,931,906 (net position). Of this amount, \$7,417,911 or 18% (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net position decreased by \$312,198. This decrease is mainly attributable to an increase in expenditures of \$3,359,256. The largest increase in expenses occurred in the public transportation function which increased by \$1,464,025 and general administration which increased by \$783,947.
- . Gonzales County, Texas' total restricted net position at September 30, 2018 is \$10,763,377 or 26% of net position.
- . Gonzales County, Texas' total debt decreased by \$177,709 (3.72 percent) during the current fiscal year. The key factor in this decrease was the payment of bonds and capital leases of \$220,000 and \$108,567, respectively.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements distinguish functions of Gonzales County, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Gonzales County, Texas include general administration, public safety, environmental protection, public transportation, health and welfare, public facilities, legal, elections, financial administration, conservation, capital projects, and culture and recreation.

The government-wide financial statements include only Gonzales County, Texas itself (known as the primary government).

The government-wide financial statements can be found on pages 13-14 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. Gonzales County, Texas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Gonzales County, Texas can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds:

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Gonzales County, Texas maintains twenty-nine (29) 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, the Road and Bridge Fund, the Debt Service Fund, the Revolving Loan Fund and the Energy Transportation Reinvestments Fund, each of which are considered to be major funds. Data from the other twenty-four (24) 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 statements elsewhere in this report.

Gonzales County, Texas adopts an annual appropriated budget for its General Fund, the Road and Bridge Fund, the Debt Service Fund, and the Revolving Loan Fund. A budgetary comparison statement has been provided for the General Fund, the Road and Bridge Fund, the Debt Service Fund, and the Revolving Loan Fund. The basic governmental fund financial statements can be found on pages 15-23 of this report.

Gonzales County, Texas also has one agency fund and one private purpose trust fund. The fiduciary fund types can be found on pages 24-25 of this report.

Notes to the financial statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-92 of this report.

Other information:

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Gonzales County, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 93-98 of this report.

The combining statements referred to earlier in connection with major road and bridge funds, the non-major governmental funds, and the fiduciary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 100-101 and on pages 102-105 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 Gonzales County, Texas, assets exceeded liabilities by \$41,931,906 at the close of the most recent fiscal year.

By far the largest portion of Gonzales County, Texas' net position (57 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure, and equipment); less any related debt used to acquire those assets that are still outstanding. Gonzales County, Texas uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Gonzales County, Texas' 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.

**GONZALES COUNTY, TEXAS
NET POSITION**

| | Governmental Activities | | Total | |
|--------------------------------------|----------------------------|--------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Current and other Assets | \$21,726,746 | \$19,999,256 | \$21,726,746 | \$19,999,256 |
| Capital Assets: | 24,442,367 | 25,501,831 | 24,442,367 | 25,501,831 |
| Total Assets | 46,169,113 | 45,501,087 | 46,169,113 | 45,501,087 |
| Total Deferred Outflows of Resources | 1,430,686 | 2,299,920 | 1,430,686 | 2,299,920 |
| Total Assets | \$47,599,799 | \$47,801,007 | \$47,599,799 | \$47,801,007 |
| Long-Term Liabilities | 4,602,547 | 4,780,256 | 4,602,547 | 4,780,256 |
| Other Liabilities | 788,492 | 654,588 | 788,492 | 654,588 |
| Total Liabilities | 5,391,039 | 5,434,844 | 5,391,039 | 5,434,844 |
| Total Deferred Inflows of Resources | 276,854 | 122,059 | 276,854 | 122,059 |
| Net Investment in Capital Assets | 23,750,618 | 24,587,682 | 23,750,618 | 24,587,682 |
| Restricted | 10,763,377 | 11,858,625 | 10,763,377 | 11,858,625 |
| Unrestricted | 7,417,911 | 5,797,797 | 7,417,911 | 5,797,797 |
| Total Net Assets | \$41,931,906 | \$42,244,104 | \$41,931,906 | \$42,244,104 |

A portion of Gonzales County, Texas' net position (26 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$7,417,911) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year and the prior fiscal year, Gonzales County, Texas is able to report positive balances in all three categories of net position.

There was a decrease of \$1,095,248 in restricted net position reported in connection with Gonzales County, Texas' governmental activities. This decrease resulted from monies being expended for road construction.

The government's total net position decreased by \$312,198. This decrease is mainly attributable to an increase in expenditures of \$3,359,256. The largest increase in expenses occurred in the public transportation function which increased by \$1,464,025 and general administration which increased by \$783,947.

Governmental activities: There were no business-type activities so any analysis regarding governmental activities will be the same as the analysis of the Government-wide Financial Analysis.

**GONZALES COUNTY, TEXAS
CHANGE IN NET POSITION**

| | Governmental | | Total | |
|---|--------------|--------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$2,633,394 | \$2,688,447 | \$2,633,394 | \$2,688,447 |
| Operating Grants and Contributions | 202,568 | 232,081 | 202,568 | 232,081 |
| Capital Grants and Contributions | 0 | 0 | 0 | 0 |
| General Revenues: | | | | |
| Maintenance and Operations Taxes | 13,677,330 | 13,347,664 | 13,677,330 | 13,347,664 |
| Sales Taxes | 2,024,933 | 2,014,505 | 2,024,933 | 2,014,505 |
| Other Taxes | 26,285 | 12,018 | 26,285 | 12,018 |
| Oil Royalties | 169,228 | 532 | 169,228 | 532 |
| Unrestricted Investment Earnings | 109,861 | 79,813 | 109,861 | 79,813 |
| Miscellaneous | 473,909 | 409,237 | 473,909 | 409,237 |
| Total Revenue | 19,317,508 | 18,784,297 | 19,317,508 | 18,784,297 |
| Expenses: | | | | |
| General Administration | 2,843,652 | 2,059,705 | 2,843,652 | 2,059,705 |
| Legal | 656,760 | 566,930 | 656,760 | 566,930 |
| Judicial | 1,723,092 | 1,612,871 | 1,723,092 | 1,612,871 |
| Financial Administration | 1,122,596 | 911,014 | 1,122,596 | 911,014 |
| Public Facilities | 960,109 | 816,155 | 960,109 | 816,155 |
| Public Safety | 6,047,264 | 5,497,512 | 6,047,264 | 5,497,512 |
| Public Transportation | 6,129,283 | 4,665,258 | 6,129,283 | 4,665,258 |
| Health and Welfare | 1,720 | 821 | 1,720 | 821 |
| Conservation - Agriculture | 115,979 | 98,825 | 115,979 | 98,825 |
| Interest and Fiscal Charges | 29,251 | 41,359 | 29,251 | 41,359 |
| Total Expenses | 19,629,706 | 16,270,450 | 19,629,706 | 16,270,450 |
| Increase in Net Position before transfers and special items | (312,198) | 2,513,847 | (312,198) | 2,513,847 |
| Transfers | 0 | 0 | 0 | 0 |
| Increase in Net Position | (312,198) | 2,513,847 | (312,198) | 2,513,847 |
| Net Position at 09/30/2017 - Restated | 42,244,104 | 39,730,257 | 42,244,104 | 39,730,257 |
| Net Position at 09/30/2018 | \$41,931,906 | \$42,244,104 | \$41,931,906 | \$42,244,104 |

| Functions/Programs | Expenses | Program Revenues | | |
|-----------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Government activities: | | | | |
| General Administration | \$2,843,652 | \$402,301 | \$30,200 | \$0 |
| Legal | 656,760 | | 3,934 | |
| Judicial | 1,723,092 | 776,163 | 6,698 | |
| Financial Administration | 1,122,596 | 453,453 | | |
| Public Facilities | 960,109 | | | |
| Public Safety | 6,047,264 | 282,433 | 132,372 | |
| Public Transportation | 6,129,283 | 719,044 | 29,364 | |
| Health and Welfare | 1,720 | | | |
| Conservation - Agriculture | 115,979 | | | |
| Interest and Fiscal Charges | 29,251 | | | |
| Total government activities | <u>\$19,629,706</u> | <u>\$2,633,394</u> | <u>\$202,568</u> | <u>\$0</u> |

Revenues by source - Governmental Activities

| | <u>REVENUES</u> | <u>%</u> |
|------------------------------------|---------------------|----------------|
| Charges for Services | \$2,633,394 | 13.63% |
| Operating Grants and Contributions | 202,568 | 1.05% |
| Capital Grants and Contributions | 0 | 0.00% |
| Maintenance and Operations Taxes | 13,677,330 | 70.80% |
| Sales Taxes | 2,024,933 | 10.48% |
| Other Taxes | 26,285 | 0.14% |
| Oil Royalties | 169,228 | 0.88% |
| Unrestricted Investment Earnings | 109,861 | 0.57% |
| Miscellaneous | 473,909 | 2.45% |
| | <u>\$19,317,508</u> | <u>100.00%</u> |

For the most part, the increases and decreases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, Gonzales County, Texas' governmental funds reported combined ending fund balances of \$17,477,921, an increase of \$1,499,652 in comparison with the prior year. Approximately 38% of this total amount (\$6,637,123) constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed.

The general fund is the chief operating fund of Gonzales County, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,643,478, while total fund balance reached a balance of \$6,677,657. 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 fund expenditures. Unassigned, undesignated fund balance represents 54 percent of total general fund expenditures, while total fund balance represents 54 percent of that same amount.

The fund balance of the general fund increased by \$2,600,825 during the current fiscal year. This increase is a result of transfers in of \$871,095, an increase of ad valorem taxes of \$788,405, a decrease of public facility expenditures of \$1,559,034, and careful budget monitoring.

At the end of the current fiscal year restricted fund balance of the road and bridge fund was \$9,641,430, while total fund balance reached a balance of \$9,654,672. As a measure of the road and bridge fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 189 percent of total road and bridge fund expenditures, while total fund balance represents 189 percent of that same amount.

The fund balance of the road and bridge fund increased by \$2,103,155 during the current fiscal year. Key factors in this increase are as follows:

- . This increase is a result of transfers in of \$2,506,782, an increase of ad valorem taxes of \$788,405 and careful budget monitoring.

At the end of the current fiscal year unassigned fund balance of the Debt Service fund was \$0, while total fund balance reached \$56,746. As a measure of the Debt Service fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 0 percent of total Debt Service fund expenditures, while total fund balance represents 23 percent of that same amount.

The fund balance of Gonzales County, Texas' Debt Service fund increased by \$27,102 during the current fiscal year. This increase is a result of debt service expenditures being less than the property tax revenue.

There is no discussion regarding the Revolving Loan fund and the Energy Transportation Reinvestment fund. The Revolving Loan fund is a grant fund and the Energy Transportation Reinvestment fund is a construction fund.

Budgetary Highlights:

Differences between the original budget and the final amended budget in the general fund was an increase of \$752,129 in appropriations and the majority of the amendments can be briefly summarized as follows:

- . The major increase occurred in the non-departmental department which increased by \$377,651 by reason of a repayment of sales tax back to the state. The increase was funded from available fund balance.

Differences between the original budget and the final amended budget in the road and bridge fund was an increase of \$129,623 in appropriations and the majority of the amendments can be briefly summarized as follows:

- . The major increase occurred in the public transportation which increased by \$109,039; primarily by reason of an increase in the road expenditures of 109,039. The increase was funded from available fund balance.

There were no differences between the original budget and the final amended budget in the debt service fund.

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Capital Asset and Debt Administration

Capital assets:

Gonzales County, Texas' investment in capital assets for its governmental activities as of September 30, 2018, amounts to \$24,442,367 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, roads and infrastructure, machinery and equipment, and park facilities. The total decrease in Gonzales County, Texas' investment in capital assets for the current fiscal year was 4.15 percent.

The major capital asset event during the current fiscal year was a roof renovation of the Old Annex building.

GONZALES COUNTY, TEXAS CAPITAL ASSETS (net of depreciation)

| | Governmental Activities | | Total | |
|-----------------------------------|----------------------------|---------------------|---------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Land | \$3,591 | \$0 | \$3,591 | \$0 |
| Building and Improvements | 10,909,308 | 11,074,922 | 10,909,308 | 11,074,922 |
| Machinery, Equipment and Vehicles | 5,870,697 | 6,469,727 | 5,870,697 | 6,469,727 |
| Infrastructure | 7,658,771 | 7,957,182 | 7,658,771 | 7,957,182 |
| Total | <u>\$24,442,367</u> | <u>\$25,501,831</u> | <u>\$24,442,367</u> | <u>\$25,501,831</u> |

Additional information on Gonzales County, Texas' capital assets can be found in note IV C on pages 39-40 of this report.

Long-term debt:

At the end of the current fiscal year, Gonzales County, Texas had the following bonded debt.

| | Beginning Balance | Additions | Reductions | Ending Balance | Summary | |
|---------------------------------|----------------------|------------|------------------|-------------------|------------------------|------------------------------|
| | | | | | Noncurrent Liabilities | |
| | | | | | Due Within One Year | Due in More Than One Year |
| <u>Governmental Activities:</u> | | | | | | |
| Bonds Payable | \$685,000 | \$0 | \$220,000 | \$465,000 | \$230,000 | \$235,000 |
| Total Bonds Payable | 685,000 | 0 | 220,000 | 465,000 | 230,000 | 235,000 |
| | | | | | | |
| Grand Total | <u>\$685,000</u> | <u>\$0</u> | <u>\$220,000</u> | <u>\$465,000</u> | <u>\$230,000</u> | <u>\$235,000</u> |

Gonzales County, Texas' total bonded debt decreased by \$220,000 (32 percent) during the current fiscal year. The key factor in this decrease was the payment of \$220,000 on bond retirement.

Additional information on Gonzales County, Texas' long term debt can be found in note IV F on pages 42-43 of this report.

Economic Factors

The Eagle Ford Oil and Gas Shale has brought in an increase in construction and an increase in property values.

Requests for Information

This financial report is designed to provide our citizen's taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If questions are encountered regarding this report; contact the Gonzales County Auditor's Office; 414 St. Joseph Street, Suite 400; Gonzales, Texas 78629, or (830) 672-6397.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

| | Primary Government | |
|---|-----------------------|---------------------|
| | Governmental | |
| | Activities | Total |
| ASSETS | | |
| Cash and Cash Equivalents | \$18,086,209 | \$18,086,209 |
| Receivables (net of allowance for uncollectibles) | 3,593,116 | 3,593,116 |
| Prepaid Expenses | 47,421 | 47,421 |
| Capital Assets Not Being Depreciated: | | |
| Construction in Progress | 3,591 | 3,591 |
| Total Capital Assets Being Depreciated, Net | | |
| Building and Improvements | 10,909,308 | 10,909,308 |
| Machinery and Equipment | 5,870,697 | 5,870,697 |
| Infrastructure | 7,658,771 | 7,658,771 |
| Total Assets | <u>\$46,169,113</u> | <u>\$46,169,113</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| GASB 68 | | |
| Deferred Outflow of Resources-Contributions (after 12/31/17) | 1,236,735 | 1,236,735 |
| Deferred Outflow-Changes of assumptions | 136,542 | 136,542 |
| GASB 75 | | |
| Deferred Outflow of Resources-Contributions (after 12/31/17) | 57,409 | 57,409 |
| Total Deferred Outflows of Resources | <u>1,430,686</u> | <u>1,430,686</u> |
| LIABILITIES: | | |
| Accounts Payable | \$578,354 | \$578,354 |
| Accrued Wages | 202,734 | 202,734 |
| Accrued Interest Payable | 2,404 | 2,404 |
| Unearned Revenues | 5,000 | 5,000 |
| Noncurrent Liabilities: | | |
| Due Within One Year | 537,741 | 537,741 |
| Due in More Than One Year | 4,064,806 | 4,064,806 |
| Total Liabilities | <u>5,391,039</u> | <u>5,391,039</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| GASB 68 | | |
| Deferred Inflow-Differences between expected and actual experience | 10,748 | 10,748 |
| Deferred Outflow-Net difference between projected and actual earnings | 238,051 | 238,051 |
| GASB 75 | | |
| Deferred Outflow-Net difference between projected and actual earnings | 28,055 | 28,055 |
| Total Deferred Inflows of Resources | <u>276,854</u> | <u>276,854</u> |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | 23,750,618 | 23,750,618 |
| Restricted | | |
| Debt Service | 56,746 | 56,746 |
| Elections | 16,564 | 16,564 |
| Financial Administration | 16,530 | 16,530 |
| General Administration | 326,502 | 326,502 |
| Judicial | 203,783 | 203,783 |
| Judicial - District Attorney | 13,725 | 13,725 |
| Public Safety | 6,154 | 6,154 |
| Public Safety - Sheriff | 50,170 | 50,170 |
| Public Transportation | 9,641,430 | 9,641,430 |
| Records Archives | 431,773 | 431,773 |
| Unrestricted | 7,417,911 | 7,417,911 |
| Total Net Position | <u>\$41,931,906</u> | <u>\$41,931,906</u> |

The accompanying notes are an integral part of this statement.

GONZALES COUNTY, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) | Net (Expense) |
|---|----------------------------|---------------------------|------------------------------------|----------------------------------|-------------------------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Revenue and Changes in Net Position | Revenue and Changes in Net Position |
| | | | | | Governmental Activities | Total |
| Primary Government | | | | | | |
| Government Activities: | | | | | | |
| General Administration | \$2,843,652 | \$402,301 | \$30,200 | \$0 | (\$2,411,151) | (\$2,411,151) |
| Legal | 656,760 | | 3,934 | | (652,826) | (652,826) |
| Judicial | 1,723,092 | 776,163 | 6,698 | | (940,231) | (940,231) |
| Financial Administration | 1,122,596 | 453,453 | | | (669,143) | (669,143) |
| Public Facilities | 960,109 | | | 0 | (960,109) | (960,109) |
| Public Safety | 6,047,264 | 282,433 | 132,372 | | (5,632,459) | (5,632,459) |
| Public Transportation | 6,129,283 | 719,044 | 29,364 | 0 | (5,380,875) | (5,380,875) |
| Health and Welfare | 1,720 | 0 | | | (1,720) | (1,720) |
| Conservation - Agriculture | 115,979 | | | | (115,979) | (115,979) |
| Interest and Fiscal Charges | 29,251 | | | | (29,251) | (29,251) |
| Total Government Activities | <u>19,629,706</u> | <u>2,633,394</u> | <u>202,568</u> | <u>0</u> | <u>(16,793,744)</u> | <u>(16,793,744)</u> |
| Total Primary Government | <u><u>\$19,629,706</u></u> | <u><u>\$2,633,394</u></u> | <u><u>\$202,568</u></u> | <u><u>\$0</u></u> | <u><u>(16,793,744)</u></u> | <u><u>(16,793,744)</u></u> |
| General Revenues | | | | | | |
| Property Taxes, Levies for General Purposes | | | | | 13,677,330 | 13,677,330 |
| Sales Taxes | | | | | 2,024,933 | 2,024,933 |
| Other Taxes | | | | | 26,285 | 26,285 |
| Oil and Gas Royalties | | | | | 169,228 | 169,228 |
| Unrestricted Investment Earnings | | | | | 109,861 | 109,861 |
| Miscellaneous | | | | | 473,909 | 473,909 |
| Total General Revenues and Transfers | | | | | <u>16,481,546</u> | <u>16,481,546</u> |
| Change in Net Position | | | | | (312,198) | (312,198) |
| Net Position - Beginning - Restated | | | | | <u>42,244,104</u> | <u>42,244,104</u> |
| Net Position - Ending | | | | | <u><u>\$41,931,906</u></u> | <u><u>\$41,931,906</u></u> |

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GONZALES COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

| | General Fund | Road and Bridge | Debt Service Fund | Revolving Loan Fund | Energy Transportation Reinvestment | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------|-------------------|---------------------|------------------------------------|--------------------------|--------------------------|
| ASSETS | | | | | | | |
| Cash and Cash Equivalents | \$7,178,405 | \$9,781,598 | \$56,746 | \$323,602 | \$0 | \$745,858 | \$18,086,209 |
| Receivables (net of allowance for uncollectibles) | 1,646,122 | 0 | | 492,387 | 99,921 | 458 | 2,238,888 |
| Prepaid Items | 34,179 | 13,242 | | | | | 47,421 |
| Total Assets | \$8,858,706 | \$9,794,840 | \$56,746 | \$815,989 | \$99,921 | \$746,316 | \$20,372,518 |
| LIABILITIES AND FUND BALANCES: | | | | | | | |
| Liabilities | | | | | | | |
| Accounts Payable | \$364,961 | \$102,400 | | \$600 | \$106,276 | \$4,117 | \$578,354 |
| Accrued Wages | 164,966 | 37,768 | | | | 0 | 202,734 |
| Deferred Revenues | 5,000 | | | 492,387 | | 0 | 497,387 |
| Total Liabilities | 534,927 | 140,168 | 0 | 492,987 | 106,276 | 4,117 | 1,278,475 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Deferred Property Taxes | 1,646,122 | | | | | | 1,646,122 |
| Total Deferred Inflows of Resources | 1,646,122 | 0 | 0 | 0 | 0 | 0 | 1,646,122 |
| Fund Balances: | | | | | | | |
| Non-Spendable | | | | | | | |
| Prepaid Items | 34,179 | 13,242 | | | | | 47,421 |
| Restricted | | | | | | | |
| Construction | | | | | | | 0 |
| Debt Service | | | 56,746 | | | | 56,746 |
| Elections | | | | | | 16,564 | 16,564 |
| Financial Administration | | | | | | 16,530 | 16,530 |
| General Administration | | | | 323,002 | | 3,500 | 326,502 |
| Judicial | | | | | | 203,783 | 203,783 |
| Judicial - District Attorney | | | | | | 13,725 | 13,725 |
| Public Safety | | | | | | 6,154 | 6,154 |
| Public Safety - Sheriff | | | | | | 50,170 | 50,170 |
| Public Transportation | | 9,641,430 | | | | | 9,641,430 |
| Records Archives | | | | | | 431,773 | 431,773 |
| Unassigned | 6,643,478 | | | | (6,355) | | 6,637,123 |
| Total Fund Balance | 6,677,657 | 9,654,672 | 56,746 | 323,002 | (6,355) | 742,199 | 17,447,921 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$8,858,706 | \$9,794,840 | \$56,746 | \$815,989 | \$99,921 | \$746,316 | \$20,372,518 |

The accompanying notes are an integral part of this statement.

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

| | |
|---|---------------------|
| Total Fund Balances - governmental funds balance sheet | \$17,447,921 |
| Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because: | |
| Capital assets used in governmental activities are not reported in the funds. | 24,442,367 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 1,846,615 |
| GASB 68 | |
| Deferred Outflow of Resources-Contribution | 1,236,735 |
| Deferred Outflow-Changes of assumptions | 136,542 |
| Deferred Inflow-Net difference between projected and actual earnings | (238,051) |
| Deferred Inflow-Differences between expected and actual experience | (10,748) |
| GASB 75 | |
| Deferred Outflow of Resources-Contribution | 57,409 |
| Deferred Inflow-Net difference between projected and actual earnings | 0 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles). | (28,055) |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds. | 1,646,122 |
| | (4,604,951) |
| Net Position of Governmental Activities - Statement of Net Position | <u>\$41,931,906</u> |

The accompanying notes are an integral part of this statement.

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

| | General Fund | Road and Bridge | Debt Service Fund | Revolving Loan Fund | Energy Transportation Reinvestment | Other Governmental Funds | Total Governmental Funds |
|---|-------------------|-----------------------|-------------------------|---------------------------|--|--------------------------------|--------------------------------|
| REVENUES | | | | | | | |
| Taxes | | | | | | | |
| Property | \$9,690,201 | \$3,590,140 | \$270,541 | | | | \$13,550,882 |
| Sales | 2,024,933 | | | | | | 2,024,933 |
| Other | 26,285 | | | | | | 26,285 |
| Intergovernmental | 154,349 | 29,364 | | | | 18,855 | 202,568 |
| Licenses and Permits | 146,475 | 719,044 | | | | | 865,519 |
| Charges for Services | 969,323 | | | | | 178,407 | 1,147,730 |
| Fines and Forfeitures | 622,627 | | | | | | 622,627 |
| Oil and Gas Royalties | 504 | 168,724 | | | | | 169,228 |
| Interest | 58,559 | 46,022 | 278 | 4,751 | | 251 | 109,861 |
| Miscellaneous | 363,244 | 110,664 | | | 1 | | 473,909 |
| Total Revenues | 14,056,500 | 4,663,958 | 270,819 | 4,751 | 1 | 197,513 | 19,193,542 |
| EXPENDITURES | | | | | | | |
| Current: | | | | | | | |
| General Administration | 2,731,159 | | | 3,001 | | 23,220 | 2,757,380 |
| Legal | 604,552 | | | | | | 604,552 |
| Judicial | 1,542,704 | | | | | 91,537 | 1,634,241 |
| Financial Administration | 1,005,147 | | | | | | 1,005,147 |
| Public Facilities | 803,197 | | | | | | 803,197 |
| Public Safety | 5,531,088 | | | | | 35,175 | 5,566,263 |
| Public Transportation | | 4,992,568 | | | | | 4,992,568 |
| Health and Welfare | 1,720 | | | | | | 1,720 |
| Conservation - Agriculture | 107,203 | | | | | | 107,203 |
| Capital Projects - | | | | | | | |
| Capital Outlay and Other | | | | | | | 0 |
| Debt Service | | | | | | | |
| Principal Retirement | | 108,567 | 220,000 | | | | 328,567 |
| Interest Retirement | | 6,656 | 23,717 | | | | 30,373 |
| Total Expenditures | 12,326,770 | 5,107,791 | 243,717 | 3,001 | 0 | 149,932 | 17,831,211 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,729,730 | (443,833) | 27,102 | 1,750 | 1 | 47,581 | 1,362,331 |
| OTHER FINANCING SOURCES (USES): | | | | | | | |
| Principal Received on Loans | | | | 31,154 | | | 31,154 |
| Other Financing Sources - Capital Lease | | 106,167 | | | | | 106,167 |
| Operating Transfers In | 871,095 | 2,506,782 | | | | | 3,377,877 |
| Operating Transfers Out | 0 | (65,961) | | | (3,254,429) | (57,487) | (3,377,877) |
| Total Other Financing Sources (Uses) | 871,095 | 2,546,988 | 0 | 31,154 | (3,254,429) | (57,487) | 137,321 |
| Net Changes in Fund Balances | 2,600,825 | 2,103,155 | 27,102 | 32,904 | (3,254,428) | (9,906) | 1,499,652 |
| Fund Balances - Beginning | 4,076,832 | 7,551,517 | 29,644 | 290,098 | 3,248,073 | 752,105 | 15,948,269 |
| Fund Balances - Ending | 6,677,657 | 9,654,672 | 56,746 | 323,002 | (6,355) | 742,199 | 17,447,921 |

The accompanying notes are an integral part of this statement.

GONZALES COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2018

| | |
|---|---------------------------|
| Net Changes in Fund Balances - Total Governmental Funds | \$1,499,652 |
| Amounts reported for governmental activities in the Statement of Net Position ("SNA") are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. | (1,059,464) |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year. | (2,482) |
| GASB 68 | |
| Deferred Outflow of Resources-Contribution. This is the change in these amounts this year. | 34,484 |
| Deferred Outflow-Changes of assumptions. This is the change in these amounts this year. | 23,472 |
| Deferred Inflow-Net difference between projected and actual earnings. This is the change in these amounts this year. | (1,222,650) |
| Deferred Inflow-Differences between expected and actual experience. This is the change in these amounts this year. | 111,311 |
| GASB 75 | |
| Deferred Outflow of Resources-Contribution. This is the change in these amounts this year. | 57,409 |
| Deferred Inflow-Net difference between projected and actual earnings. This is the change in these amounts this year. | (28,055) |
| Increase in loan principal are receipts in the funds but not revenue in the SOA. | (106,167) |
| Repayment of principal on revolving loans is recognized as an other source of revenues in the funds but not in the SOA. | (31,154) |
| (Increase) decrease in compensated absences from beginning of period to end of period. | (73,510) |
| (Increase) decrease in accrued interest payable from beginning of period to end of period. | 1,122 |
| Other Post Employment Benefit expenses not requiring the use of current financial resources are not reported expenditures in the funds. | 0 |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | 126,448 |
| (Increase) decrease in Net Pension Liability from beginning of period to end of period. | 66,127 |
| (Increase) decrease in OPEB Liability from beginning of period to end of period. | (37,308) |
| Repayment of loan principal is an expenditure in the funds but not an expense in the SOA. | <u>328,567</u> |
| Change in Net Position of Governmental Activities - Statement of Activities | <u><u>(\$312,198)</u></u> |

The accompanying notes are an integral part of this statement.

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

| | Budgeted Amounts | | Actual | Variance with |
|-----------------------|------------------|-------------|-------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| <i>REVENUES</i> | | | | |
| Taxes | | | | |
| Property | \$8,772,160 | \$8,772,160 | \$9,690,201 | \$918,041 |
| Sales | 2,000,000 | 2,000,000 | 2,024,933 | 24,933 |
| Other | 15,600 | 15,600 | 26,285 | 10,685 |
| Intergovernmental | 103,135 | 103,135 | 154,349 | 51,214 |
| Licenses and Permits | 132,150 | 132,150 | 146,475 | 14,325 |
| Charges for Services | 834,884 | 834,884 | 969,323 | 134,439 |
| Fines and Forfeitures | 662,000 | 662,000 | 622,627 | (39,373) |
| Oil Royalties | 550 | 550 | 504 | (46) |
| Interest | 35,000 | 35,000 | 58,559 | 23,559 |
| Miscellaneous | 108,930 | 108,930 | 363,244 | 254,314 |
| Total Revenues | 12,664,409 | 12,664,409 | 14,056,500 | 1,392,091 |

EXPENDITURES

Current:

| | | | | |
|--------------------------|-----------|-----------|-----------|---------|
| General Administration | | | | |
| County Clerk | 577,559 | 577,559 | 569,421 | 8,138 |
| County Judge | 274,292 | 274,292 | 253,231 | 21,061 |
| Elections | 41,627 | 41,627 | 37,735 | 3,892 |
| Non-Departmental | 1,551,372 | 1,929,023 | 1,839,877 | 89,146 |
| Veteran's Service | 41,200 | 41,200 | 30,895 | 10,305 |
| Legal | | | | |
| County Attorney | 613,314 | 613,314 | 604,552 | 8,762 |
| Judicial | | | | |
| County Court | 217,360 | 217,360 | 121,375 | 95,985 |
| District Clerk | 378,369 | 378,369 | 354,450 | 23,919 |
| District Court | 296,908 | 350,269 | 350,250 | 19 |
| Justice of the Peace | 773,108 | 773,108 | 716,629 | 56,479 |
| Financial Administration | | | | |
| County Auditor | 386,024 | 386,024 | 368,041 | 17,983 |
| County Treasurer | 92,479 | 92,479 | 88,622 | 3,857 |
| Tax Assessor-Collector | 578,364 | 578,364 | 548,484 | 29,880 |
| Public Facilities | | | | |
| Courthouse | 1,165,615 | 1,311,045 | 803,197 | 507,848 |
| Public Safety | | | | |
| Constables | 370,296 | 370,296 | 346,745 | 23,551 |
| D.P.S. | 86,332 | 86,332 | 85,721 | 611 |
| Jail | 2,298,133 | 2,343,475 | 2,180,824 | 162,651 |
| Sheriff | 2,806,764 | 2,934,821 | 2,816,387 | 118,434 |
| Code Enforcement | 115,434 | 116,139 | 101,411 | 14,728 |

(continued)

(continued)

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|--------------------|--------------------|--------------------|---|
| | Original | Final | | |
| Health and Welfare | | | | |
| Indigent Services | \$8,000 | \$8,000 | \$1,720 | \$6,280 |
| Conservation - Agriculture | | | | |
| Agriculture Extension Service | 110,347 | 111,930 | 107,203 | 4,727 |
| Total Expenditures | <u>12,782,897</u> | <u>13,535,026</u> | <u>12,326,770</u> | <u>1,208,256</u> |
| Excess (Deficiency) of Revenues Over (Under) | | | | |
| Expenditures | <u>(118,488)</u> | <u>(870,617)</u> | <u>1,729,730</u> | <u>2,600,347</u> |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating Transfers In | 0 | 0 | 871,095 | 871,095 |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>0</u> | <u>871,095</u> | <u>871,095</u> |
| Net Changes in Fund Balances | <u>(118,488)</u> | <u>(870,617)</u> | <u>2,600,825</u> | <u>3,471,442</u> |
| Fund Balances - Beginning | 4,076,832 | 4,039,337 | 4,076,832 | |
| Fund Balances - Ending | <u>\$3,958,344</u> | <u>\$3,168,720</u> | <u>\$6,677,657</u> | <u>\$3,471,442</u> |

The accompanying notes are an integral part of this statement.

GONZALES COUNTY, TEXAS
ROAD AND BRIDGE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (BUGETARY BASIS) - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | Budgeted Amounts | | Budgetary Basis | Variance with |
|--|----------------------|----------------------|--------------------|------------------------------------|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$3,267,000 | \$3,267,000 | \$3,590,140 | \$323,140 |
| Intergovernmental | 29,364 | 29,364 | 29,364 | 0 |
| Licenses and Permits | 711,898 | 711,898 | 719,044 | 7,146 |
| Oil and Gas Royalties | 0 | 100,000 | 168,724 | 68,724 |
| Interest | 31,275 | 31,275 | 46,022 | 14,747 |
| Miscellaneous | 46,311 | 46,311 | 110,664 | 64,353 |
| Total Revenues | <u>4,085,848</u> | <u>4,185,848</u> | <u>4,663,958</u> | <u>478,110</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public Transportation | | | | |
| Road and Bridge | 5,274,686 | 5,383,725 | 4,886,401 | 497,324 |
| Debt Service | | | | |
| Principal Retirement | 126,412 | 138,687 | 108,567 | 30,120 |
| Interest Retirement | 0 | 8,309 | 6,656 | 1,653 |
| Total Expenditures | <u>5,401,098</u> | <u>5,530,721</u> | <u>5,001,624</u> | <u>529,097</u> |
| Net Changes in Fund Balances - Budgetary Basis | <u>(\$1,315,250)</u> | <u>(\$1,344,873)</u> | <u>(337,666)</u> | <u>\$1,007,207</u> |
| Reconciliation from budgetary basis to modified accrual: | | | | |
| Other Financing Sources - Capital Lease | | | 106,167 | |
| Purchase of Equipment | | | (106,167) | |
| Operating Transfers In | | | 2,506,782 | |
| Operating Transfers Out | | | (65,961) | |
| Total Other Financing Sources (Uses) | | | <u>2,440,821</u> | |
| Net Changes in Fund Balances-Modified Accrual Basis | | | <u>2,103,155</u> | |
| Fund Balances - Beginning | | | <u>7,551,517</u> | |
| Fund Balances - Ending | | | <u>\$9,654,672</u> | |

GONZALES COUNTY, TEXAS
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | Budgeted Amounts | | Actual | Variance with Final Budget - Positive (Negative) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | | | | |
| Property | \$234,624 | \$234,624 | \$270,541 | \$35,917 |
| Interest | 170 | 170 | 278 | 108 |
| Total Revenues | <u>234,794</u> | <u>234,794</u> | <u>270,819</u> | <u>36,025</u> |
| EXPENDITURES | | | | |
| Debt Service | | | | |
| Principal Retirement | 220,000 | 220,000 | 220,000 | 0 |
| Interest Retirement | 23,717 | 23,717 | 23,717 | 0 |
| Total Expenditures | <u>243,717</u> | <u>243,717</u> | <u>243,717</u> | <u>0</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (8,923) | (8,923) | 27,102 | 36,025 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating Transfers In | 0 | 0 | 0 | 0 |
| Operating Transfers Out | 0 | 0 | 0 | 0 |
| Total Other Financing Sources (Uses) | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Changes in Fund Balances | (8,923) | (8,923) | 27,102 | 36,025 |
| Fund Balances - Beginning | 29,644 | 29,644 | 29,644 | |
| Fund Balances - Ending | <u>\$20,721</u> | <u>\$20,721</u> | <u>\$56,746</u> | <u>\$36,025</u> |

GONZALES COUNTY, TEXAS
 REVOLVING LOAN FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | Budgeted Amounts | | Actual | Variance with |
|--|------------------|-----------|-----------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Interest | \$6,204 | \$6,204 | \$4,751 | (\$1,453) |
| Total Revenues | 6,204 | 6,204 | 4,751 | (1,453) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Administration | | | | |
| General Administration | 2,400 | 3,001 | 3,001 | 0 |
| Total Expenditures | 2,400 | 3,001 | 3,001 | 0 |
| Excess (Deficiency) of Revenues Over (Under) | | | | |
| Expenditures | 3,804 | 3,203 | 1,750 | (1,453) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Principal Received on Loans | 52,264 | 52,264 | 31,154 | (21,110) |
| Operating Transfers Out | | | | 0 |
| Total Other Financing Sources (Uses) | 52,264 | 52,264 | 31,154 | (21,110) |
| Net Changes in Fund Balances | 56,068 | 55,467 | 32,904 | (22,563) |
| Fund Balances - Beginning | 290,098 | 290,098 | 290,098 | |
| Fund Balances - Ending | \$346,166 | \$345,565 | \$323,002 | (\$22,563) |

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

GONZALES COUNTY, TEXAS
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | Agency Funds | Private Purpose Trust Funds <hr/> Permanent School Fund |
|--|--------------------|---|
| ASSETS | | |
| Cash and Cash Equivalents | \$1,838,493 | \$0 |
| Receivables (net of allowance for uncollectibles) | 0 | |
| Due from Others | 0 | |
| Total Assets | <u>\$1,838,493</u> | <u>\$0</u> |
| LIABILITIES | | |
| Accounts Payable | \$0 | \$0 |
| Due to Others | 1,838,493 | 0 |
| Total Liabilities | <u>1,838,493</u> | <u>0</u> |
| NET POSITION | | |
| Held in Trust-Unexpendable | 0 | |
| Total Net Position | <u>\$0</u> | <u>\$0</u> |

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

GONZALES COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | Private Purpose Trust Funds |
|--------------------------------|--------------------------------------|
| | <u>Permanent School Fund</u> |
| ADDITIONS | |
| Contributions: | |
| Private Donations | \$0 |
| Intergovernmental | |
| Total Contributions | <u>0</u> |
| Investment Earnings: | |
| Interest Received | |
| Total Investment Earnings | <u>0</u> |
| Less Investment Expense | <u>0</u> |
| Net Investment Earnings | <u>0</u> |
| TOTAL ADDITIONS | <u>0</u> |
| DEDUCTIONS | |
| Culture and Recreation-History | 198,067 |
| Total Deductions | <u>198,067</u> |
| Change in Net Position | (198,067) |
| Net Position-Beginning | <u>198,067</u> |
| Net Position-Ending | <u><u>\$0</u></u> |

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

GONZALES COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

I. Summary of Significant Accounting Policies

A. Reporting entity

Gonzales County operates under a County Judge – Commissioner’s Court type of government and provides the following services throughout the County: public safety (fire, ambulance, and law enforcement), public transportation (highways and roads), health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services. The accounting policies of Gonzales County, Texas, (the County) conform to generally accepted accounting principles. The County also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

B. Government-Wide and Fund Financial Statements

The County’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the County accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the County’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the County are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities, which are presented as internal balances and eliminated in the total primary government column. 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.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the Net Position and changes in Net Position presented in the Government-Wide financial statements. The County has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, sales taxes, intergovernmental revenues and charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

The general fund is the government'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 road and bridge fund accounts for the activities of the government's road and bridge operations.

The debt service fund is used to service the County's bonds payable.

The revolving loan fund accounts for the past federal grant monies to help local businesses defray business costs associated with either business start-up or expansion.

The energy transportation reinvestment fund accounts for state grant monies and ad valorem tax monies which are located in the zone; to help with the government's road re-building.

In addition, the County reports the following fund types:

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support County programs, these funds are not included in the government-wide statements.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government'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 Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value.

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) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances."

C. Assets, Liabilities, and Net Assets or Equity (continued)

2. Receivables and Payables (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectible. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2018 and 10 percent of the delinquent outstanding property taxes at September 30, 2018.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the County bills the taxpayers. The County begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

Inventories of materials and supplies held by the General Fund are considered immaterial and thus are not accounted for in the Balance Sheet. In the General Fund, disbursements for supplies and materials are considered to be expenditures at the time of purchase. There were no inventory items at September 30, 2018.

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

4. Restricted Assets

There were no restricted assets at September 30, 2018.

C. Assets, Liabilities, and Net Assets or Equity (continued)

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The major capital asset event during the current fiscal year was a roof renovation of the Old Annex building.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

| Assets | Years |
|-----------------------|-------|
| Buildings | 50 |
| Building Improvements | 20 |
| System Infrastructure | 30 |
| Vehicles | 5 |
| Office Equipment | 5 |
| Computer Equipment | 5 |

6. Compensated Absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in government-wide financial statements.

C. Assets, Liabilities, and Net Assets or Equity (continued)

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expenses in the year of occurrence.

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

8. Fund Balances – Governmental Funds

As of September 30, 2018, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned — all other spendable amounts.

C. Assets, Liabilities, and Net Assets or Equity (continued)

8. Fund Balances – Governmental Funds (continued)

As of September 30, 2018, fund balances are composed of the following:

| | |
|------------------------------|---------------------|
| Fund Balances: | |
| Non-Spendable | |
| Prepaid Items | \$47,421 |
| Restricted | |
| Construction | 0 |
| Debt Service | 56,746 |
| Elections | 16,564 |
| Financial Administration | 16,530 |
| General Administration | 326,502 |
| Judicial | 203,783 |
| Judicial - District Attorney | 13,725 |
| Public Safety | 6,154 |
| Public Safety - Sheriff | 50,170 |
| Public Transportation | 9,641,430 |
| Records Archives | 431,773 |
| Unassigned | <u>6,637,123</u> |
| Total Fund Balance | <u>\$17,447,921</u> |

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Commissioner's Court or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the Commissioner's Court adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year-end to be at least equal to 18-25 percent of the subsequent year's budgeted General Fund expenditures.

C. Assets, Liabilities, and Net Assets or Equity (continued)

9. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has two items that qualify for reporting in this category. They are deferred under GASB 68 and GASB 75.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. They are deferred under GASB 68 and GASB 75.

The County reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the County and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

10. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of Government-Wide and Fund Financial Statements

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

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and Net Position - governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$4,604,951 difference are as follows:

| | |
|--------------------------|--------------------|
| Bonds Payable | \$465,000 |
| Capital Lease Payable | 226,749 |
| Accrued Interest Payable | 2,404 |
| GASB 75 Payable | 933,178 |
| Compensated absences | 249,920 |
| Net Pension Liability | <u>2,727,700</u> |
| | <u>\$4,604,951</u> |

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in Net Position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds" report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$24,442,367 difference are as follows:

| | |
|--|---------------------|
| Capital Assets Not Being Depreciated | \$3,591 |
| Capital Assets Being Depreciated | 35,327,686 |
| Accumulated Depreciation | (10,888,910) |
| Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities | <u>\$24,442,367</u> |

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles)." The details of this \$1,646,122 difference are as follows:

| | |
|---------------------------------|--------------------|
| Property Taxes Receivable | \$1,789,062 |
| Allowance for Doubtful Accounts | <u>(142,940)</u> |
| Net | <u>\$1,646,122</u> |

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position. (continued)

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this \$1,846,615 difference are as follows:

| | |
|---------------------------------|--------------------|
| Fines and Fees receivable | \$4,514,094 |
| Allowance for Doubtful Accounts | (3,159,866) |
| Principal on revolving loans | <u>492,387</u> |
| Net | <u>\$1,846,615</u> |

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this (\$1,059,464) difference are as follows:

| | |
|---|-----------------------------|
| Capital Outlay - Additions - Not Being Depreciated | \$3,591 |
| Capital Outlay - Additions - Being Depreciated | 774,445 |
| Capital Outlay - Reclassifications - Net | (25,529) |
| Depreciation Expense | (1,811,971) |
| Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities | <u><u>(\$1,059,464)</u></u> |

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

The original budget is adopted by the Commissioner's Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioner's Court.

The final amended budget is used in this report. The budget should not be exceeded in any expenditure category under State law. Unused appropriations lapse at the end of each year. The County Judge is, by statute, the Budget Officer of the County. He usually requests and relies on the assistance of the County Auditor to prepare the annual budget. After being furnished budget guidelines by the Commissioner's Court, the County Auditor prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the Commissioner's Court.

The Commissioner's Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioner's Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the County Auditor's estimate of revenues and available cash. The final budget can be legally amended by the Commissioner's Court to whatever extent the Court desires as long as the amended figures do not exceed the County Auditor's estimate of revenues and available cash.

When the Budget has been adopted by the Commissioner's 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 the members of the Commissioner's Court advised of the condition of the various funds and accounts. The level of control for each legally adopted annual operating budget is the fund.

Budgets for all budgeted General and Special Revenue Funds are adopted on a budgetary basis which is in conformity with generally accepted accounting principles (GAAP). Budgets for the 2018 fiscal year were adopted for the General Fund, the Road and Bridge Fund, the Debt Service Fund, the Revolving Loan Fund, the Energy Transportation Reinvestment Fund, and other applicable non-major governmental funds.

B. Excess of Expenditures over Appropriations

For the year ended September 30, 2018, expenditures did not exceed appropriations in any funds.

C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2018 except for the Energy Transportation Reinvestment fund which had a deficit fund balance of \$6,355. This deficit is expected to be liquidated by future resources of the fund.

IV. Detailed Notes on All Funds

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments:

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

Policies Governing Deposits and Investments:

The County does have a depository contract, and in compliance with the Public Funds Investment Act; the County has adopted an investment policy. That policy does address the following risks:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has an investment policy for custodial credit risk. As of September 30, 2018, the government's bank balance of \$20,359,108 was not exposed to custodial credit risk. The fair market value of the securities pledged is \$3,652,201 a FHA letter of credit of \$17,000,000, and the FDIC coverage is \$250,000. The book balance of the deposits was \$13,302,161. The collateral is securities held by the pledging financial institution's trust department or agent, in the government's name.

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

State statute authorizes the County to invest in obligations of, or guaranteed by, governmental entities, certificates of deposits, bankers acceptances, commercial paper, no load money market mutual funds, repurchase agreements, and investment pools. Investments for the County are reported at fair value. The Pooled Cash Accounts at September 30, 2018 consist of \$2,997,781 in Tex-Pool Accounts. The pooled accounts are not SEC regulated but are governed by an independent board of directors and operate in accordance with state laws and regulations. The reported values of the pools are the same as the fair value of the pooled shares which are acquired at a cost of \$1 each.

In conclusion, at September 30, 2018:

Investments - The County does have a formal investment policy, but it had no investments at September 30, 2018. The County participates in pooled accounts as discussed above. The County prefers these accounts due to the decrease in risk and also the high liquidity benefit.

Interest rate risk- The County does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County feels that with pooled accounts, this risk is very low due to their high liquidity.

Credit risks - Standard and Poor's has issued credit ratings of AAAM to Tex Pool.

It is the County's policy to limit its investment to top ratings issued by nationally recognized statistical ratings organizations.

Custodial credit risk - For an investment, custodial credit risk is the risk that in the event of the failure of the counter party, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. They County has no policy on custodial credit risk but feels that its pooled accounts are low risk.

Concentration of credit risk - The County places no limit on the amount that the County may invest in any one issuer. The County is currently using the less risky pooled accounts and plans to continue to do so in the future.

IV. Detailed Notes on All Funds (continued)

B. Receivables

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

| | General | Revolving Loan Fund | Energy Transportation Reinvestment | Other Governmental Funds | Total |
|---------------------------------------|-------------|---------------------------|--|--------------------------------|-------------|
| <u>Receivables</u> | | | | | |
| Property Taxes | \$1,789,062 | | | | \$1,789,062 |
| Fines | 4,514,094 | | | | 4,514,094 |
| Accounts | | 492,387 | 99,921 | | 592,308 |
| Other | | | | 458 | 458 |
| Gross receivables | 6,303,156 | 492,387 | 99,921 | 458 | 6,895,922 |
| Less: Allowance for uncollectibles | 3,302,806 | | | | 3,302,806 |
| Net total receivables | \$3,000,350 | \$492,387 | \$99,921 | \$458 | \$3,593,116 |

C. Capital Assets

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

| Governmental Activities: | Beginning Balances | Increases | Decreases | Ending Balances |
|---|-----------------------|---------------|-----------|--------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$0 | \$3,591 | | \$3,591 |
| Total capital assets not being depreciated: | 0 | 3,591 | 0 | 3,591 |
| Capital assets being depreciated: | | | | |
| Building and Improvements | 15,029,527 | 161,853 | 65,880 | 15,125,500 |
| Machinery, Equipment and Vehicles | 11,121,320 | 612,592 | 59,284 | 11,674,628 |
| Infrastructure | 8,527,558 | | | 8,527,558 |
| Total capital assets being depreciated: | 34,678,405 | 774,445 | 125,164 | 35,327,686 |
| Less: Accumulated Depreciation for: | | | | |
| Building and Improvements | 3,954,605 | 303,750 | 42,163 | 4,216,192 |
| Machinery, Equipment and Vehicles | 4,651,593 | 1,209,810 | 57,472 | 5,803,931 |
| Infrastructure | 570,376 | 298,411 | | 868,787 |
| Total Accumulated Depreciation | 9,176,574 | 1,811,971 | 99,635 | 10,888,910 |
| Total Capital Assets Depreciated, Net | 25,501,831 | (1,037,526) | 25,529 | 24,438,776 |
| Governmental Activities capital assets, Net | \$25,501,831 | (\$1,033,935) | \$25,529 | \$24,442,367 |

The 2017-2018 depreciation is as follows:

| | |
|--|--------------------|
| Governmental activities | |
| General Administration | \$22,793 |
| Legal | 2,040 |
| Financial Administration | 1,432 |
| Public Facilities | 276,577 |
| Public Safety | 214,195 |
| Public Transportation | <u>1,294,934</u> |
| Total depreciation expense - governmental activities | <u>\$1,811,971</u> |

Construction commitments

The major capital asset event during the current fiscal year was a roof renovation of the Old Annex building.

D. Interfund Receivables, Payables, and Transfers

There were no due to/from other funds at September 30, 2018. There were no interfund balances as of September 30, 2018. There were no advances at September 30, 2018.

The following were one-time transfers during the year.

| | TRANSFER IN | | |
|------------------------------------|------------------|--------------------------------|--------------------|
| | GENERAL FUND | ROAD AND BRIDGE FUNDS | TOTAL |
| TRANSFER OUT | | | |
| GENERAL FUND | | | \$0 |
| ROAD AND BRIDGE FUND | | 65,961 | 65,961 |
| ENERGY TRANSPORTATION REINVESTMENT | 813,608 | 2,440,821 | 3,254,429 |
| OTHER GOVERNMENTAL FUNDS | 57,487 | | 57,487 |
| TOTALS | <u>\$871,095</u> | <u>\$2,506,782</u> | <u>\$3,377,877</u> |

E. Leases

Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$188,041 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

| Year Ending Sep. 30 | <u>Amount</u> |
|---------------------|-------------------|
| 2019 | \$ 158,023 |
| 2020 | 39,762 |
| 2021 | 26,559 |
| 2022 | 17,036 |
| 2023 | <u>1,961</u> |
| Total | <u>\$ 243,341</u> |

Rent expenditures were \$8,400 for the year ended September 30, 2018. Rental income was \$1,300 for the year ended September 30, 2018.

F. Long-Term Debt

Capital Leases: The government has entered into one capital lease agreements as lessee for financing the acquisition of one (1) 2019 Freightliner and one (1) 2016 John Deere 672G. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of its future minimum lease payments as of the inception date. The security pledged for the capital leases is the equipment financed.

Assets acquired through capital leases are as follows:

| Precinct Number | PUBLIC | | TOTAL |
|--------------------------------|----------------|--------------|-----------|
| | TRANSPORTATION | | |
| | 2 | 2 | |
| | 2016 | 2019 | |
| | JOHN | FREIGHTLINER | |
| | DEERE | CAB | |
| Asset: | 672G | TRACTOR | TOTAL |
| Cost | \$274,333 | \$106,167 | \$380,500 |
| Less: Accumulated Depreciation | 54,867 | 21,193 | 76,060 |
| Total | \$219,466 | \$84,974 | \$304,440 |

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018, were as follows:

| Year Ending Sep. 30 | 2016 | 2019 | TOTAL |
|---|-----------|--------------|-----------|
| | JOHN | FREIGHTLINER | |
| | DEERE | CAB | |
| | 672G | TRACTOR | TOTAL |
| 2019 | \$44,726 | \$20,023 | \$64,749 |
| 2020 | 44,726 | 20,023 | 64,749 |
| 2021 | 44,726 | 20,023 | 64,749 |
| 2022 | | 20,023 | 20,023 |
| 2023 | | 20,023 | 20,023 |
| 2024 | | 13,349 | 13,349 |
| Total | 134,178 | 113,464 | 247,642 |
| Less: Amount Representing Interest | 8,379 | 12,514 | 20,893 |
| Present Value of Minimum Lease Payments | \$125,799 | \$100,950 | \$226,749 |

The above debt is to be serviced by the Road and Bridge Fund.

Bonds

The government issued a General Obligation Refunding Bond, Series 2006. The security for the bonds is the ad valorem taxes of the County to be put into a debt service fund.

Bonds currently outstanding are as follows:

| <u>Purpose</u> | <u>Rates</u> | <u>Amount</u> |
|-------------------------------|--------------|---------------|
| Refunding Bonds - Series 2006 | 3.55-4.15% | \$465,000 |

The following is a summary of debt service requirements to maturity.

The changes in long-term liabilities are as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Summary | |
|---------------------------------|----------------------|------------------|------------------|--------------------|------------------------|------------------------------|
| | | | | | Noncurrent Liabilities | |
| | | | | | Due Within One Year | Due in More Than One Year |
| <u>Governmental Activities:</u> | | | | | | |
| Bonds Payable | \$685,000 | \$0 | \$220,000 | \$465,000 | \$230,000 | \$235,000 |
| Capital Lease Payable | 229,149 | 106,167 | 108,567 | 226,749 | 57,821 | 168,928 |
| GASB 75 Payable | 895,870 | 37,308 | | 933,178 | | 933,178 |
| Net Pension Liability | 2,793,827 | | 66,127 | 2,727,700 | | 2,727,700 |
| Compensated Absences Payable | 176,410 | 249,920 | 176,410 | 249,920 | 249,920 | 0 |
| | <u>4,780,256</u> | <u>393,395</u> | <u>571,104</u> | <u>4,602,547</u> | <u>537,741</u> | <u>4,064,806</u> |
| Grand Total | <u>\$4,780,256</u> | <u>\$393,395</u> | <u>\$571,104</u> | <u>\$4,602,547</u> | <u>\$537,741</u> | <u>\$4,064,806</u> |

The general fund and the road and bridge fund are used to service the compensated absences. The estimated amount due in the 2018-19 year is \$249,920. The compensated absences are deemed to be current liabilities.

The government-wide statement of activities includes \$537,741 as "non-current liabilities, due within one year".

The total amount of interest expensed in 2017-2018 is \$29,251.

The net pension liability is discussed in note F below. For a discussion of other post employee benefits please see part V F in these notes.

V. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no instances where settlements exceeded insurance coverage in any of the three previous years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

| | Year ended <u>09/30/17</u> | Year ended <u>09/30/18</u> |
|---|-------------------------------|-------------------------------|
| Unpaid Claims, Beginning of Fiscal Year | \$ -0- | \$ -0- |
| Incurring Claims (including IBNRs) | | |
| Claim Payments | | |
| Unpaid Claims, End of Fiscal Year | <u>\$ -0-</u> | <u>\$ -0-</u> |

1. General Liability Insurance

The County is insured for general, police officers and automobile liability.

The County has joined together with other governments in the Texas Association of Counties Risk Management Pool. The County pays an annual premium to Risk Management for auto vehicle insurance coverage. The agreement with Risk Management provides that Risk Management will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 to \$300,000 for each insurance event. The County anticipates no contingent losses.

Texas Association of Counties Risk Management Pool has published its own financial report that can be obtained from the Texas Association of Counties Risk Management Pool.

The County continues to carries commercial fidelity bonds for elected officials and for management.

2. Property and Casualty Insurance

Property, casualty, mobile equipment insurance is provided by Texas Association of Counties Risk Management Pool.

3. Workers' Compensation Insurance

The County insures against workers' compensation claims through Texas Association of Counties Risk Management Pool.

4. Group Health and Life Insurance

The County maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

5. Unemployment Compensation Insurance

The County insures for unemployment compensation claims through an agreement with the Texas Association of Counties.

B. Related Party Transaction

John Brumme is a County Attorney Investigator and partners with his brother, Jared Brumme a Sheriff's Deputy. He owns Vortex Public Safety. The County paid Vortex \$7,507.41 for the year ended September 30, 2018.

C. Subsequent Events

There are no subsequent events requiring disclosure.

D. Contingent Liabilities

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

The County was not a defendant in any lawsuit at September 30, 2018.

E. Prior Period Adjustments

The County has determined that certain transactions were recorded incorrectly in a prior year. The County had a prior period adjustment where by governmental activities' Net Position was restated downward by \$706,366; due to the County implementing GASB 75. The restatement had the corresponding effect on the beginning net position, as follows:

| | Net Position, as Previously Reported | GASB 75 RESTATEMENT | Net Position As Restated |
|--------------------------------------|---|--------------------------------|-------------------------------------|
| Governmental Activities: | | | |
| Net Position | \$42,950,470 | (\$706,366) | \$42,244,104 |
| Total Governmental Activities | \$42,950,470 | (\$706,366) | \$42,244,104 |

F. Summary of TCDRS Funding Policy
Net Pension Liability / (Asset)

| Net Pension Liability / (Asset) | December 31, 2016 | December 31, 2017 |
|--|----------------------|----------------------|
| Total pension liability | \$20,277,018 | \$23,771,633 |
| Fiduciary net position | 17,483,191 | 21,043,934 |
| Net pension liability/(asset) | 2,793,827 | 2,727,700 |
| Fiduciary net position as a % of total pension liability | 86.22% | 88.53% |
| | | |
| Pensionable covered payroll | \$7,000,833 | \$7,398,525 |
| Net Pension liability as a % of covered payroll | 39.91% | 36.87% |

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

Note: Rounding differences may exit above or in other tables in this report.

Discount Rate

| | | |
|--|----------------|----------------|
| Discount rate | 8.10% | 8.10% |
| Long-term expected rate of return, net of investment expense | 8.10% | 8.10% |
| Municipal bond rate | Does not apply | Does not apply |

Other Key Actuarial Assumptions

All 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 - December 31, 2016, except where required to be different by GASB 68.

See Appendix B of this report (Actuarial Methods and Assumptions Used for GASB Calculations) for a listing of key assumptions used in the calculation of the total pension liability and other GASB 68 metrics.

See Appendix C (Actuarial Methods and Assumptions Used for Funding Valuation) of this report for a full description of the actuarial assumptions used in the funding valuation.

| | Beginning Date | Ending Date |
|------------------------|-------------------|--------------------|
| Valuation date | December 31, 2016 | December 31, 2017 |
| Measurement date | December 31, 2016 | December 31, 2017 |
| Employer's fiscal year | October 1, 2017 | September 30, 2018 |

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 1Q-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 — December 31, 2016 for more details.

| Asset Class | Benchmark | Target Allocation | Geometric Real Rate of Return |
|------------------------------------|--|-------------------|-------------------------------|
| U.S. Equities | Dow Jones U.S. Total Stock Market Index | 11.500/0 | 4.55% |
| Private Equity | Cambridge Associates Global Private Equity & Venture Capital Index | 16.00% | 7.550/0 |
| Global Equities | MSCI World (net) Index | 1.500/0 | 4.85% |
| Int'l Equities - Developed Markets | MSCI World Ex USA (net) Index | 11.00% | 4.55% |
| Int'l Equities - Emerging Markets | 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 | 2.00% | 6.30% |
| REIT Equities | 67% FTSE NAREIT Equity REITs Index + S&P Global REIT (net) Index | 2.00% | 4.05% |
| Master Limited Partnerships (MLPs) | Alerian MLP Index | 3.00% | 6.00% |
| Private Real Estate Partnerships | Cambridge Associates Real Estate Index ^(S) | 6.00% | 6.25% |
| | Hedge Fund Research, Inc. (HFRI) Fund of Funds | | |
| Hedge Funds | Composite Index | 18.00% | 4.10% |

Depletion of Plan Assets / GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

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

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes.

Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

As additional documentation for auditing purposes, we have shown the projection of the Fiduciary Net Position in the following exhibit ("Projection of Fiduciary Net Position").

Projection of Fiduciary Net Position

| Calendar Year Ending | Projected Beginning Fiduciary Net Position | Projected Total Contributions | Projected Benefit Payments | Projected Administrative Expenses | Projected Investment Earnings | Projected Ending Fiduciary Net Position |
|----------------------|--|-------------------------------|----------------------------|-----------------------------------|-------------------------------|---|
| | (a) | (b) | (c) | (d) | (e) | (a)+(b)-(c)-(d)+(e) |
| 2018 | \$21,043,934 | \$1,617,809 | \$1,392,589 | \$21,044 | \$1,712,667 | \$22,960,777 |
| 2019 | 22,960,777 | 1,577,094 | 1,329,221 | 22,961 | 1,868,755 | 25,054,444 |
| 2020 | 25,054,444 | 1,546,545 | 1,453,204 | 25,054 | 2,032,122 | 27,154,851 |
| 2021 | 27,154,851 | 1,519,063 | 1,560,162 | 27,155 | 2,196,832 | 29,283,429 |
| 2022 | 29,283,429 | 1,498,970 | 1,669,953 | 29,283 | 2,364,005 | 31,447,168 |
| 2023 | 31,447,168 | 1,481,471 | 1,783,264 | 31,447 | 2,533,987 | 33,647,914 |
| 2024 | 33,647,914 | 1,462,486 | 1,892,564 | 33,648 | 2,707,066 | 35,891,254 |
| 2025 | 35,891,254 | 1,441,520 | 2,045,617 | 35,891 | 2,881,777 | 38,133,043 |
| 2026 | 38,133,043 | 1,429,309 | 2,171,142 | 38,133 | 3,057,803 | 40,410,880 |
| 2027 | 40,410,880 | 1,419,699 | 2,298,191 | 40,411 | 3,236,790 | 42,728,767 |
| 2037 | 64,513,971 | 1,351,042 | 3,768,672 | 64,514 | 5,127,062 | 67,158,889 |
| 2047 | 96,323,828 | 1,479,134 | 4,824,572 | 96,324 | 7,665,553 | 100,547,618 |
| 2057 | 158,634,514 | 1,884,054 | 4,713,421 | 158,635 | 12,730,738 | 168,377,250 |
| 2067 | 309,891,113 | 2,560,209 | 3,433,994 | 309,891 | 25,054,175 | 333,761,612 |
| 2077 | 670,320,298 | 3,522,968 | 1,812,394 | 670,320 | 54,337,254 | 725,697,806 |
| 2087 | 1,487,779,193 | 4,850,754 | 555,273 | 1,487,779 | 120,621,613 | 1,611,208,508 |
| 2097 | 3,289,194,156 | 6,678,976 | 62,660 | 3,289,194 | 266,556,852 | 3,559,078,130 |

Changes in Net Pension Liability / (Asset)

| Changes in Net Pension Liability / (Asset) | Total | | |
|---|----------------------------------|----------------------------------|--|
| | Pension Liability (a) | Fiduciary Net Position (b) | Net Pension Liability / (Asset) (a) - (b) |
| | Balances as of December 31, 2016 | \$20,277,018 | \$17,483,191 |
| Changes of the year: | | | |
| Service cost | 990,850 | | 990,850 |
| Interest on total pension liability | 1,682,545 | | 1,682,545 |
| Effect of plan changes | 1,690,735 | | 1,690,735 |
| Effect of economic/demographic gains or losses | 65,142 | | 65,142 |
| Effect of assumptions changes or inputs | 76,452 | | 76,452 |
| Refund of contributions | (78,737) | (78,737) | 0 |
| Benefit payments | (932,372) | (932,372) | 0 |
| Administrative expenses | | (13,995) | 13,995 |
| Member contributions | | 517,897 | (517,897) |
| Net investment income | | 2,567,918 | (2,567,918) |
| Employer contributions | | 1,486,847 | (1,486,847) |
| Other | 0 | 13,184 | (13,184) |
| Balances as of December 31, 2017 | \$23,771,633 | \$21,043,934 | \$2,727,700 |

Sensitivity Analysis

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

| | 1% Decrease | Current Discount Rate | Increase |
|-------------------------------|----------------|--------------------------|--------------|
| | 7.10% | 8.10% | 9.10% |
| Total pension liability | \$47,531,120 | \$42,384,203 | \$37,999,954 |
| Fiduciary net position | 38,745,499 | 38,745,499 | 38,745,499 |
| Net pension liability/(asset) | \$8,785,621 | \$3,638,704 | (\$745,545) |

Pension Expense / (Income)

| Pension Expense / (Income) | <u>January 1, 2017 to December 31, 2017</u> |
|---|---|
| Service cost | \$990,850 |
| Interest on total pension liability | 1,682,545 |
| Effect of plan changes | 1,690,735 |
| Administrative expenses | 13,995 |
| Member contributions | (517,897) |
| Expected investment return net of investment expenses | (1,455,565) |
| Recognition of deferred inflows/outflows of resources | |
| Recognition of economic/demographic gains or losses | (46,169) |
| Recognition of assumption changes or inputs | 52,980 |
| Recognition of investment gains or losses | 110,297 |
| Other | (13,184) |
| Pension expense | <u>\$2,508,586</u> |

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

| Deferred Inflows/Outflows of Resources | <u>Deferred Inflows of Resources</u> | <u>Deferred Outflows of Resources</u> |
|--|--|---|
| Differences between expected and actual experience | \$108,976 | \$98,228 |
| Changes of assumptions | 0 | 136,542 |
| Net difference between projected and actual earnings | 238,051 | 0 |
| Contributions made subsequent to measurement date | N/A | Employer determined |

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

Year ended December 31:

| | |
|------------|-----------|
| 2018 | \$137,189 |
| 2019 | 95,930 |
| 2020 | (151,224) |
| 2021 | (194,152) |
| 2022 | 0 |
| Thereafter | 0 |

Schedule of Deferred Inflows and Outflows of Resources

| Expense / (Income) Calculation | | | | Balances of Deferred Inflows and Outflows as of 12/31/2017 | |
|--|-------------------------|------------------------------------|---|--|----------|
| Original Amount (a) | Date Established (b) | Original Recognition Period (c) | Amount Recognized for 2017 (a) / (c) | Inflows | Outflows |
| Investment (gains) or losses | | | | | |
| (\$1,112,353) | 12/31/2017 | 5.0 | (\$222,471) | \$889,882 | \$0 |
| 137,779 | 12/31/2016 | 5.0 | 27,556 | 0 | 82,668 |
| 1,319,764 | 12/31/2015 | 5.0 | 263,953 | 0 | 527,906 |
| 206,293 | 12/31/2014 | 5.0 | 41,259 | 0 | 41,259 |
| Economic/demographic (gains) or losses | | | | | |
| 65,142 | 12/31/2017 | 5.0 | 13,028 | 0 | 52,114 |
| 76,858 | 12/31/2016 | 4.0 | 15,372 | 0 | 46,115 |
| (272,441) | 12/31/2015 | 4.0 | (54,488) | 108,976 | 0 |
| (80,324) | 12/31/2014 | 5.0 | (20,081) | 0 | 0 |
| Assumption changes or inputs | | | | | |
| 76,452 | 12/31/2017 | 5.0 | 15,290 | 0 | 61,162 |
| 0 | 12/31/2016 | 4.0 | 0 | 0 | 0 |
| 188,450 | 12/31/2015 | 4.0 | 37,690 | 0 | 75,380 |
| 0 | 12/31/2014 | 5.0 | 0 | 0 | 0 |

Schedule of Changes in Net Pension Liability and Related Ratios

| | Year Ended December 31 | | | | | | | | | |
|--|------------------------|---------------------|---------------------|---------------------|------------|------------|------------|------------|------------|------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Total Pension Liability | | | | | | | | | | |
| Service cost | \$990,850 | \$976,508 | \$857,720 | \$743,601 | N/A | N/A | N/A | N/A | N/A | N/A |
| Interest on total pension liability | 1,682,545 | 1,507,148 | 1,401,918 | 1,294,712 | N/A | N/A | N/A | N/A | N/A | N/A |
| Effect of plan changes | 1,690,735 | 0 | (138,275) | 0 | N/A | N/A | N/A | N/A | N/A | N/A |
| Effect of assumption changes or inputs | 76,452 | 0 | 188,450 | 0 | N/A | N/A | N/A | N/A | N/A | N/A |
| Effect of economic/demographic (gains) or losses | 65,142 | 76,858 | (272,441) | (80,324) | N/A | N/A | N/A | N/A | N/A | N/A |
| Benefit payments/refunds of contributions | <u>(1,011,109)</u> | <u>(807,317)</u> | <u>(737,771)</u> | <u>(693,130)</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 change in total pension liability | 3,494,615 | 1,753,197 | 1,299,600 | 1,264,861 | N/A | N/A | N/A | N/A | N/A | N/A |
| Total pension liability, beginning | <u>20,277,018</u> | <u>18,523,821</u> | <u>17,224,221</u> | <u>15,959,360</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> |
| Total pension liability, ending (a) | <u>\$23,771,633</u> | <u>\$20,277,018</u> | <u>\$18,523,821</u> | <u>\$17,224,221</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 | \$1,486,847 | \$1,028,452 | \$961,758 | \$968,268 | N/A | N/A | N/A | N/A | N/A | N/A |
| Member contributions | 517,897 | 490,058 | 458,249 | 413,741 | N/A | N/A | N/A | N/A | N/A | N/A |
| Investment income net of investment expenses | 2,567,918 | 1,152,169 | (73,671) | 912,845 | N/A | N/A | N/A | N/A | N/A | N/A |
| Benefit payments/refunds of contributions | (1,011,109) | (807,317) | (737,771) | (693,130) | N/A | N/A | N/A | N/A | N/A | N/A |
| Administrative expenses | (13,995) | (12,548) | (10,993) | (10,918) | N/A | N/A | N/A | N/A | N/A | N/A |
| Other | <u>13,184</u> | <u>97,321</u> | <u>36,146</u> | <u>(76,138)</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 change in fiduciary net position | 3,560,743 | 1,948,135 | 633,718 | 1,514,669 | N/A | N/A | N/A | N/A | N/A | N/A |
| Fiduciary net position, beginning | <u>17,483,191</u> | <u>15,535,056</u> | <u>14,901,338</u> | <u>13,386,669</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, ending (b) | <u>\$21,043,934</u> | <u>\$17,483,191</u> | <u>\$15,535,056</u> | <u>\$14,901,338</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>\$2,727,700</u> | <u>\$2,793,827</u> | <u>\$2,988,765</u> | <u>\$2,322,883</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 | 88.53% | 86.22% | 83.87% | 86.51% | N/A | N/A | N/A | N/A | N/A | N/A |
| Pensionable covered payroll | 7,398,525 | 7,000,833 | 6,546,416 | 5,910,589 | N/A | N/A | N/A | N/A | N/A | N/A |
| Net pension liability/(asset) as % of covered payroll | 36.87% | 39.91% | 45.65% | 39.30% | N/A | N/A | N/A | N/A | N/A | N/A |

Schedule of Employer Contributions

| Year Ending December 31 | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Pensionable Covered Payroll | Actual Contribution as a % of Covered Payroll |
|-------------------------------|---|------------------------------------|--|-----------------------------------|---|
| 2008 | \$349,198 | \$349,198 | 0 | \$3,664,200 | 9.5% |
| 2009 | 347,126 | 359,577 | (12,451) | 3,773,107 | 9.5% |
| 2010 | 363,114 | 369,314 | (6,200) | 3,875,281 | 9.5% |
| 2011 | 377,943 | 383,579 | (5,636) | 4,024,955 | 9.5% |
| 2012 | 514,476 | 614,477 | (100,002) | 4,237,857 | 14.5% |
| 2013 | 717,705 | 817,720 | (100,015) | 4,885,673 | 16.7% |
| 2014 | 868,268 | 968,268 | (100,000) | 5,910,589 | 16.4% |
| 2015 | 840,560 | 961,758 | (121,198) | 6,546,416 | 14.7% |
| 2016 | 830,999 | 1,028,452 | (197,454) | 7,000,833 | 14.7% |
| 2017 | 845,651 | 1,486,847 | (641,196) | 7,398,525 | 20.1% |

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

| | |
|--|---|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 10.1 years (based on contribution rate calculated in 12/31/2017 valuation) |
| Asset Valuation Method | 5-year smoothed market |
| Inflation | 2.75% |
| Salary Increases | Varies by age and service. 4.9% average over career including inflation. |
| Investment Rate of Return | 8.00%, net of administrative and investment expenses, including inflation |
| Retirement Age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Mortality | 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. |
| Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions | 2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. |
| Changes in Plan Provisions Reflected in the Schedule of Employer Contributions | 2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned |

after 2017.

Appendix A— GASB 68 Plan Description for Gonzales County

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

- a. Gonzales County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system
- b. A brief description of benefit terms:
 - 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 235%) and is then converted to an annuity.
 - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Gonzales County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2017 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, www.tcdrs.org.

Membership Information

| Members | Dec. 31, 2016 | Dec. 31, 2017 |
|--|---------------|---------------|
| Number of inactive employees entitled to but not yet receiving benefits: | | |
| Number of active employees: | 156 | 159 |
| Average monthly salary*: | \$3,682 | \$3,862 |
| Average age*: | 46.51 | 46.19 |
| Average length of service in years*: | 9.62 | 9.84 |
| <hr/> | | |
| Inactive Employees (or their Beneficiaries) Receiving Benefits | | |
| Number of benefit recipients: | 84 | 85 |
| Average monthly benefit: | \$855 | \$951 |

Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2017 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Gonzales County December 31, 2017 Summary Valuation Report for further details.

The following are the key assumptions and methods used in this GASB analysis.

| | |
|---|---|
| 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 | 5 years |
| Smoothing period | Non-asymptotic |
| Recognition | None |
| method Corridor | Same as funding valuation: See Appendix C |
| Inflation | Same as funding valuation: See Appendix C |
| Salary Increases | 8.10% (Gross of administrative expenses) |
| Investment Rate of Return | Cost-of-Living Adjustments for Gonzales County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Cost-of-Living Adjustments | |
| Retirement Age | Same as funding valuation: See Appendix C |
| Turnover | Same as funding valuation: See Appendix C |
| Mortality | Same as funding valuation: See Appendix C |

Appendix C—Actuarial Methods and Assumptions Used for Funding Valuation

Except where indicated in the section of this GASB 68 report entitled "Actuarial Methods and Assumptions Used for GASB Calculations", the assumptions used in this analysis for the December 31 , 2016 financial reporting metrics are the same as those used in the December 31 , 2017 actuarial valuation analysis for Gonzales County.

The following is a description of the assumptions used in the December 31 , 2017 actuarial valuation analysis for Gonzales County. This information may also be found in the Gonzales County December 31, 2017 Summary Valuation Report.

Economic Assumptions

TCDRS system-wide economic assumptions:

| | |
|-----------------------------|-------|
| Real rate of return | 5.25% |
| Inflation | 2.75% |
| Long-term investment return | 8.00% |

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. (See Table 1 for Merit Salary Increases.)

Employer-specific economic assumptions:

| | |
|---|-------|
| Growth in membership | 0.00% |
| Payroll growth for funding calculations | 3.25% |

The payroll growth assumption is for the aggregate covered payroll of an employer.

Table 1
Merit Salary Increase

| Years of Service | Entry Age | | | |
|------------------------|--------------|----------------|----------------|-----------------|
| | Before 30 | Ages 30- 39 | Ages 40- 49 | 50 and later |
| 0 | 5.00% | 4.50% | 4.00% | 3.50% |
| 1 | 4.25 | 3.75 | 3.25 | 2.75 |
| 2 | 3.85 | 3.35 | 2.85 | 2.35 |
| 3 | 3.50 | 3.00 | 2.50 | 2.00 |
| 4 | 3.15 | 2.65 | 2.25 | 1.85 |
| 5 | 2.90 | 2.55 | 2.15 | 1.70 |
| 6 | 2.65 | 2.30 | 1.95 | 1.55 |
| 7 | 2.45 | 2.10 | 1.75 | 1.40 |
| 8 | 2.30 | 1.95 | 1.60 | 1.25 |
| 9 | 2.15 | 1.80 | 1.45 | 1.10 |
| 10 | 2.00 | 1.70 | 1.40 | 1.05 |
| 11 | 1.90 | 1.50 | 1.25 | 1.00 |
| 12 | 1.80 | 1.50 | 1.15 | 0.95 |
| 13 | 1.70 | 1.40 | 1.05 | 0.90 |
| 14 | 1.60 | 1.30 | 0.95 | 0.85 |
| 15 | 1.50 | 1.23 | 0.90 | 0.80 |
| 16 | 1.40 | 1.15 | 0.85 | 0.75 |
| 17 | 1.30 | 1.05 | 0.80 | 0.70 |
| 18 | 1.23 | 0.97 | 0.75 | 0.65 |
| 19 | 1.15 | 0.90 | 0.70 | 0.60 |
| 20 | 1.10 | 0.85 | 0.65 | 0.55 |
| 21 | 1.05 | 0.80 | 0.60 | 0.50 |
| 22 | 1.00 | 0.75 | 0.55 | 0.50 |
| 23 | 0.95 | 0.70 | 0.50 | 0.50 |
| 24 | 0.90 | 0.65 | 0.50 | 0.50 |
| 25 | 0.85 | 0.60 | 0.50 | 0.50 |
| 26 | 0.80 | 0.60 | 0.50 | 0.50 |
| 27 | 0.75 | 0.60 | 0.50 | 0.50 |
| 28 | 0.70 | 0.60 | 0.50 | 0.50 |
| 29 | 0.65 | 0.60 | 0.50 | 0.50 |
| 30 & up | 0.60 | 0.60 | 0.50 | 0.50 |

Demographic Assumptions

TCDRS system-wide demographic assumptions:

Replacement of Terminated Members — New employees are assumed to replace any terminated members and have similar entry ages.

Disability — The rates of disability used in this valuation are illustrated in Table 2. Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.

**Table 2
Annual Rates of Disability**

| Age | Work Related Male and Female | All Other Causes Male and Female | Age | Work Related Male and Female | All Other Causes Male and Female |
|-----------|------------------------------------|---|---------------|------------------------------------|---|
| less than | | | 43 | 0.004% | 0.058% |
| 25 | 0.000% | 0.000% | 44 | 0.004 | 0.063 |
| 25 | 0.000 | 0.000 | 45 | 0.004 | 0.069 |
| 26 | 0.000 | 0.000 | 46 | 0.005 | 0.076 |
| 27 | 0.000 | 0.000 | 47 | 0.006 | 0.084 |
| 28 | 0.000 | 0.008 | 48 | 0.007 | 0.095 |
| 29 | 0.000 | 0.008 | 49 | 0.009 | 0.109 |
| 30 | 0.000 | 0.009 | 50 | 0.010 | 0.125 |
| 31 | 0.000 | 0.010 | 51 | 0.012 | 0.142 |
| 32 | 0.000 | 0.010 | 52 | 0.013 | 0.162 |
| 33 | 0.000 | 0.011 | 53 | 0.015 | 0.183 |
| 34 | 0.000 | 0.014 | 54 | 0.018 | 0.203 |
| 35 | 0.001 | 0.018 | 55 | 0.018 | 0.222 |
| 36 | 0.001 | 0.022 | 56 | 0.018 | 0.238 |
| 37 | 0.002 | 0.028 | 57 | 0.018 | 0.250 |
| 38 | 0.002 | 0.033 | 58 | 0.018 | 0.259 |
| 39 | 0.002 | 0.038 | 59 | 0.018 | 0.270 |
| 40 | 0.002 | 0.042 | 60 & Above | 0.018 | 0.000 |
| 41 | 0.003 | 0.047 | | | |
| 42 | 0.003 | 0.053 | | | |

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 Modality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MPQ014 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 |

Family Composition — For current retirees, beneficiary information is supplied by TCDRS. For purposes of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

Service Retirement — Members eligible for service retirement are assumed to retire at the rates shown in Table 3.

Table 3
Annual Rates of Service Retirement

| Age | Male | Female | Age | Male | Female |
|-------|------|--------|------|-------|--------|
| 40-44 | 4.5% | 4.5% | 62 | 20.0% | 20.0% |
| 45-40 | 9.0 | 9.0 | 63 | 15.0 | 15.0 |
| 50 | 10.0 | 10.0 | 64 | 15.0 | 15.0 |
| 51 | 9.0 | 9.0 | 65 | 25.0 | 25.0 |
| 52 | 9.0 | 9.0 | 66 | 25.0 | 25.0 |
| 53 | 9.0 | 9.0 | 67 | 22.0 | 22.0 |
| 54 | 10.0 | 10.0 | 68 | 20.0 | 20.0 |
| 55 | 10.0 | 10.0 | 69 | 20.0 | 20.0 |
| 56 | 10.0 | 10.0 | 70 | 22.0 | 22.0 |
| 57 | 10.0 | 10.0 | 71 | 22.0 | 22.0 |
| 58 | 12.0 | 12.0 | 72 | 22.0 | 22.0 |
| 59 | 12.0 | 12.0 | 73 | 22.0 | 22.0 |
| 60 | 12.0 | 12.0 | 74** | 22.0 | 22.0 |
| 61 | 12.0 | 12.0 | | | |

Employer-specific demographic assumptions:

Other Terminations of Employment — The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are illustrated in Table 4. The rates vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.

Other Terminations of Employment – The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are illustrated in Table 4. The rates vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.

Table 4
Annual Rates of Termination

| Years of Service | Entry Age 20 | | Entry Age 30 | | Entry Age 40 | | Entry Age 50 | |
|------------------|--------------|--------|--------------|--------|--------------|--------|--------------|--------|
| | Male | Female | Male | Female | Male | Female | Male | Female |
| 0 | 33.4% | 36.2% | 27.8% | 30.2% | 23.7% | 25.6% | 22.3% | 24.1% |
| 1 | 22.8 | 24.8 | 19.2 | 20.8 | 16.3 | 17.7 | 15.4 | 16.6 |
| 2 | 17.0 | 18.4 | 14.4 | 15.6 | 12.2 | 13.3 | 11.5 | 12.5 |
| 3 | 13.5 | 14.6 | 11.5 | 12.5 | 9.8 | 10.6 | 9.2 | 10.0 |
| 4 | 11.1 | 12.1 | 9.6 | 10.4 | 8.2 | 8.8 | 7.7 | 8.3 |
| 5 | 9.9 | 10.8 | 8.6 | 9.4 | 7.3 | 8.0 | 6.9 | 7.5 |
| 6 | 8.8 | 9.5 | 7.7 | 8.3 | 6.5 | 7.1 | 6.1 | 6.7 |
| 7 | 7.8 | 8.5 | 6.9 | 7.5 | 5.9 | 6.4 | 5.5 | 6.0 |
| 8 | 6.5 | 7.0 | 5.8 | 6.2 | 4.9 | 5.3 | 4.6 | 5.0 |
| 9 | 6.2 | 6.7 | 5.6 | 6.0 | 4.7 | 5.1 | 4.5 | 4.8 |
| 10 | 5.5 | 5.9 | 5.0 | 5.4 | 4.2 | 4.6 | 4.0 | 4.3 |
| 11 | 4.8 | 5.2 | 4.4 | 4.8 | 3.8 | 4.1 | 3.5 | 3.8 |
| 12 | 4.4 | 4.7 | 4.0 | 4.4 | 3.4 | 3.7 | 3.2 | 3.5 |
| 13 | 3.9 | 4.2 | 3.6 | 4.0 | 3.1 | 3.4 | 2.9 | 3.2 |
| 14 | 3.5 | 3.7 | 3.3 | 3.5 | 2.8 | 3.0 | 2.6 | 2.8 |
| 15 | 3.0 | 3.3 | 2.9 | 3.1 | 2.4 | 2.7 | 2.3 | 2.5 |
| 16 | 2.6 | 2.8 | 2.5 | 2.7 | 2.1 | 2.3 | 2.0 | 2.2 |
| 17 | 2.3 | 2.5 | 2.2 | 2.4 | 1.9 | 2.0 | 1.8 | 1.9 |
| 18 | 2.0 | 2.1 | 1.9 | 2.1 | 1.6 | 1.8 | 1.5 | 1.7 |
| 19 | 1.7 | 1.9 | 1.7 | 1.9 | 1.5 | 1.6 | 1.4 | 1.5 |
| 20 | 1.6 | 1.8 | 1.6 | 1.8 | 1.4 | 1.5 | 1.3 | 1.4 |
| 21 | 1.4 | 1.6 | 1.4 | 1.6 | 1.2 | 1.3 | 1.2 | 1.3 |
| 22 | 1.3 | 1.5 | 1.3 | 1.5 | 1.1 | 1.2 | 1.1 | 1.2 |
| 23 | 1.2 | 1.4 | 1.2 | 1.4 | 1.0 | 1.1 | 1.0 | 1.1 |
| 24 | 1.2 | 1.3 | 1.2 | 1.3 | 1.0 | 1.1 | 1.0 | 1.0 |
| 25 | 1.1 | 1.2 | 1.1 | 1.2 | 0.9 | 1.0 | 0.9 | 1.0 |
| 26 | 1.1 | 1.1 | 1.1 | 1.1 | 0.9 | 1.0 | 0.9 | 0.9 |
| 27 | 1.0 | 1.0 | 1.0 | 1.0 | 0.8 | 0.9 | 0.8 | 0.8 |
| 28 | 0.9 | 0.9 | 0.9 | 0.9 | 0.7 | 0.8 | 0.7 | 0.7 |
| 29 | 0.9 | 0.8 | 0.9 | 0.8 | 0.7 | 0.8 | 0.7 | 0.6 |
| 30 & Later | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Withdrawals – Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to your plan are shown in Table 5. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

**Table 5
Probability of Withdrawal**

| Years of Service | Probability | Years of Service | Probability |
|-------------------------|--------------------|-------------------------|--------------------|
| 0 | 100% | 15 | 40 |
| 1 | 100 | 16 | 38 |
| 2 | 100 | 17 | 36 |
| 3 | 100 | 18 | 33 |
| 4 | 100 | 19 | 30 |
| 5 | 100 | 20 | 28 |
| 6 | 100 | 21 | 26 |
| 7 | 100 | 22 | 24 |
| 8 | 47 | 23 | 22 |
| 9 | 46 | 24 | 20 |
| 10 | 45 | 25 | 18 |
| 11 | 44 | 26 | 16 |
| 12 | 43 | 27 | 14 |
| 13 | 42 | 28 | 12 |
| 14 | 41 | 29* | 10 |

Executive Summary

Fiscal Year Ending September 30, 2018

| | |
|---|--------------------|
| Actuarial Valuation Date | December 31, 2017 |
| Measurement Date of the Total OPEB Liability | December 31, 2017 |
| Employer's Fiscal Year Ending Date (Reporting Date) | September 30, 2018 |
| Membership | |
| Number of | |
| - Retirees and Beneficiaries | 6 |
| - Inactive, Nonretired Members | 0 |
| - Active Members | 147 |
| - Total | 153 |
| Covered Payroll | 6,921,726 |
| Total OPEB Liability | |
| Total OPEB Liability | 933,178 |
| Total OPEB Liability as a Percentage of Covered Payroll | 13.48 % |
| Development of the Single Discount Rate | |
| Long-Term Municipal Bond Rate* | 3.31 % |
| Total OPEB Expense | 102,197 |

Discussion

Accounting Standard

GASB Statement No. 75 replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployments Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

Reporting under GASB 75 is effective for fiscal years commencing after June 15, 2017.

The following discussion provides a summary of the information that is required to be disclosed under this new accounting standard. A number of these disclosure items are provided in this report. However, certain information within the OPEB note disclosure regarding accounting policies and investments (if any) is not included in this report. As a result, the employer is responsible for preparing and disclosing the nonactuarial information needed to comply with these accounting standards.

Financial Statements

For plans that do not have formal trusts, GASB Statement No. 75 requires state and local government employers to recognize the total OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. In traditional actuarial terms, the total OPEB liability is analogous to the actuarial accrued liability.

GASB Statement No. 75 states the benefit payments and administrative costs incurred subsequent to the measurement date and before the end of the employer's reporting period should be reported as a deferred outflow of resources.

Implicit Subsidy

GASB Statements No. 75 and No. 68 are conceptually very similar in terms of the liability which is recognized on the balance sheet, the expense calculation, and the corresponding deferred outflows and inflows of resources. The main differences between the standards are related to the differences between pension and health care benefits. One particular difference is a concept referred to as the "implicit subsidy", which applies to health plans that utilize blended premiums, that has no counterpart in GASB Statement No. 68. The County's health plan utilizes a "blended premium" structure. Said another way, the overall health care premiums for active employees and non-Medicare retirees are stated in terms of a single "blended premium". The difference between the underlying retiree claims and the blended overall health care premium is referred to as an "implicit" or "hidden" subsidy. Because the underlying claims costs for a non-Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

GASB defines the employer provided OPEB benefit as the difference between the underlying claims costs and the premium contributions made by retirees. As a result, the employer's portion of the blended health care premium is not what GASB considers the employer benefit. In order to account for the employer provided OPEB benefit, as it's defined by GASB, the explicit premium subsidies need to be adjusted to reflect the implicit subsidy (the difference between the estimated retiree claims and the overall premiums).

Implicit Subsidy (continued)

For plans that use a blended premium structure, Illustrations BI-1 and BI-2 of Implementation Guide No. 2017-3 describe how a portion of the payments made on behalf of the active employees should be reclassified as benefit payments for retiree health care to reflect the retirees' underlying claims costs. Adjusting the explicit health care costs for active employees and retirees by the implicit subsidy estimates provided in this report is equivalent to the reclassification described in the Implementation Guide. It's important to note that the implicit subsidy is considered an employer contribution and any employer contributions related to OPEB need to include the implicit subsidy. This report provides the estimated implicit subsidy for the measurement period and a factor that can be used to determine the implicit subsidy for the purpose of the deferred outflow of resources related to benefit payments made after the measurement date.

To summarize, because the health plan utilizes blended premiums, the benefit payments for GASB Statement No. 75 purposes need to include an adjustment for the implicit subsidy. This adjustment reflects the underlying cost of the benefits provided to retirees, which is how GASB defines the employer's OPEB benefit/liability. This adjustment is needed for the benefits during the measurement period and also for the purpose of the deferred outflow related to the benefits paid after the measurement date.

Timing and Frequency of the Actuarial Valuation

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For the employer's financial reporting purposes, the total OPEB liability and OPEB expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total OPEB liability shown in this report is based on an actuarial valuation performed as of December 31, 2017 and a measurement date of December 31, 2017.

Discount Rate

For plans that do not have a formal trust that meets GASB's requirements, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 3.31% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index").

Notes to Financial Statements

Paragraphs 162 — 171 of GASB Statement No. 75 discuss the note disclosures and required supplementary information (RSI) for plans that do not have formal assets. We recommend employers review these paragraphs as well as Illustration 4 in Appendix C of GASB Statement No. 75, which provides sample note disclosures and RSI for a single-employer plan that is not administered through a formal trust. GASB Statement No. 75 requires the notes of the employer's financial statements to disclose the total OPEB expense, the OPEB plan's liabilities and assets (if any), deferred outflows of resources and inflows of resources related to OPEB, and descriptive information about the plan. The requirements listed below apply

to OPEB plans that do not have formal assets that meet the criteria in paragraph 4 of GASB Statement No. 75.

- **Plan Description:**
 - The name of the OPEB plan, the administrator of the OPEB plan; and the identification of the OPEB plan as a single-employer or multiple-employer OPEB plan.
 - A brief description of the types of benefits provided by the plan, automatic or ad hoc postemployment benefit changes including COLAs, and terms or policies regarding the sharing of benefit-related costs with inactive plan members.
 - The authority under which benefit terms are established or may be changed.
 - The number of plan members by category and if the plan is closed.
 - A brief description of member and employer contribution requirements.
 - The fact that there are no assets accumulated in a trust.
- **The total OPEB liability**
- **Significant assumptions and other inputs used to measure the total OPEB liability**
 - Significant assumptions include: Inflation, healthcare cost trend rates, salary changes, ad hoc postemployment benefit changes, and the sharing of benefit-related costs with inactive plan members.
 - If applicable, the patterns of practice relied upon for projecting the sharing of benefit-related costs with inactive plan members.
 - Source of the assumptions for mortality and dates of experience studies.
- **Measure of the total OPEB liability using +/- 1% on the health care trend rate.**
- **On the discount rate:**
 - The discount rate used and the change in the discount rate since the prior fiscal year-end.
 - The municipal bond rate used and the source of that rate.
 - Measure of the net OPEB liability using +/- 1% on the discount rate.
- **The measurement date, the date of the actuarial valuation, and if applicable the fact that update procedures were used to roll forward the total OPEB liability.**
- **A brief description of changes in benefit terms or assumptions that affected the measurement of the total OPEB liability since the prior measurement date.**
- **A brief description of changes made between the measurement date and reporting date.**
- **The employer's contributions (including benefit payments that are not paid/reimbursed by a formal trust) made subsequent to the measurement date.**

Required Supplementary Information for Plans that Do Not Have Formal Assets

GASB Statement No. 75 requires a 10-year fiscal history of:

- Sources of changes in the total OPEB liability
- Information about the total OPEB liability and related ratios, including the total OPEB liability as a percent of covered-employee payroll

Actuarial Assumptions

The actuarial assumptions used to value the liabilities are outlined in detail in Section F. The assumptions include details on the health care trend assumption, the aging factors as well as the cost method used to develop the OPEB expense. The demographic assumptions are based on the assumptions that were developed for the defined benefit plan in which the County participates (TCDRS).

Future Uncertainty or Risk

Future results may differ from those anticipated in this valuation. Reasons include, but are not limited to:

- Actual medical trend differing from expected;
- Changes in the healthcare plan designs offered to active and retired members;
- Participant behavior or experience differing from expected;
- Elections at retirement;
- One-person versus two-person coverage elections;
- Time of retirement or termination;
- Catastrophic claims.

Benefits Valued

The benefit provisions that were valued are in Section C. The valuation is required to be performed on the current benefit terms and existing legal agreements. Consideration is to be given to the written plan document as well as other communications between the employer and plan members and an established pattern of practice for cost sharing. The summary of major plan provisions is designed to outline principal plan benefits. If the plan summary is not in accordance with the actual provisions, please alert the actuaries IMMEDIATELY so they can both be sure the proper provisions are valued.

Effective Date and Transition

GASB Statement No. 75 is effective for an employer's fiscal years beginning after June 15, 2017.

Prior-Period Adjustment

Question 4.498 of Implementation Guide No. 2017-3 (shown below) provides guidance regarding the components of the prior-period adjustment. Because the measurement period in the transition year is the year starting January 1, 2017 and ending December 31, 2017, the deferred outflows of resources component of the prior-period adjustment (part c of the answer to question 4.498) coincides with the period starting January 1, 2017 and ending September 30, 2017. Using the same methodology that was used to determine the benefit payments made during the measurement period, as shown on page B-1, this deferred outflow component of the prior-period adjustment was equal to \$69,020 (\$43,003 of explicit premium payments plus \$26,017 of implicit subsidy payments).

To our knowledge, there are no other deferred inflows or outflows related to part d of the answer to question 4.498.

For reference Question 4.498 from Implementation Guide No. 2017-3 is provided below:

Q—What are the components of the prior-period adjustment to beginning net position when Statement 75, as amended, is first implemented?

A—The prior-period adjustment should (a) remove the net OPEB obligation (asset) balance determined in accordance with Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, if any, and any payables to the OPEB plan associated with formal commitments; (b) add the balance of the net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability), if any, as of the beginning of the initial period of implementation (determined as of the measurement date that would have been applied in the prior fiscal year if Statement 75, as amended, had been in effect—see Question 4.497); (c) add a deferred outflows of resources balance for the government's contributions to the OPEB plan or amounts paid by the government for OPEB as the benefits come due between the measurement date of the beginning net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability) and the beginning of the government's fiscal year, if any; and (d) add balances associated with all other deferred outflows of resources and deferred inflows of resources, if applicable (see Questions 4.500 and 4.501), determined as of the same date as the beginning net OPEB liability or total OPEB liability (or proportionate share of the collective net OPEB liability or collective total OPEB liability), as applicable. If there are payables to the OPEB plan that are not associated with formal commitments as of the beginning of the initial period of implementation, those balances should remain because Statement 75 continues the measurement and recognition requirements of Statement 45 for those transactions.

Schedule of Changes in Total OPEB Liability and Related Ratios
Fiscal Year Ending September 30, 2018

| | |
|--|-----------------------|
| Total OPEB liability | |
| Service Cost | \$65,297 |
| Interest on the total OPEB liability | 33,606 |
| Changes of benefit terms | 0 |
| Difference between expected and actual experience of the total OPEB liability | 0 |
| Changes of assumptions | 31,349 |
| Benefit payments | (92,944) |
| Net change in total OPEB liability | <u>37,308</u> |
| Total OPEB liability - beginning | <u>895,870</u> |
| Total OPEB liability - ending | <u><u>933,178</u></u> |
| Covered-employee payroll | \$6,921,726 |
| Total OPEB liability as a percentage of covered-employee payroll | 13.48% |

The table above contains information for the RSI section of the financials. The ending Total OPEB liability was as of December 31, 2017.

Changes of assumptions reflect a change in the discount rate from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

The benefit payments during the measurement period were determined as follows:

| | | |
|------------------------------|---------------|-------------------------------------|
| a. Explicit benefit payments | \$57,909 | (provided by the County) |
| b. Implicit benefit payments | <u>35,035</u> | (explicit benefit payments * 0.605) |
| c. Total benefit payments | \$92,944 | |

The 0.605 factor equals the ratio of the expected implicit subsidy to the expected explicit costs.

Recognition of Deferred Outflows and Deferred Inflows of Resources

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the current measurement period, the expected remaining service lives of all active employees in the plan was approximately 1,456 years. Additionally, the total plan membership (active employees and inactive employees) was 153. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 9.5172 years.

Statement of Outflows and Inflows Arising from Current Reporting Period

| | Recognition Period (or amortization years) | Total (Inflow) or Outflow | 2018 Recognized Deferred (Inflow) or in current OPEB expense | Outflow in future expense |
|---|---|------------------------------|--|------------------------------|
| <u>Due to Liabilities:</u> | | | | |
| Differences in expected and actual experience | 9.5172 | 0 | 0 | 0 |
| Assumption changes | 9.5172 | 31,349 | 3,294 | 28,055 |
| Total | | \$31,349 | \$3,294 | \$28,055 |

This table is provided to document sources of the new deferred inflows and outflows resulting from the current reporting year. The table is not a required disclosure. The required disclosures regarding deferred inflows and outflows of resources related to OPEB are shown on the following page.

Statement of OPEB Expense under GASB Statement No. 75 Fiscal Year Ending September 30, 2018

| | |
|---|------------------|
| Service Cost | \$65,297 |
| Interest on the Total OPEB Liability | 33,606 |
| Current-Period Benefit Changes | 0 |
| OPEB Plan Administrative Expense | 0 |
| Recognition of Current Year Outflow (Inflow) due to Liabilities | 3,294 |
| Amortization of Prior Year Outflow (Inflow) due to Liabilities | 0 |
| Total OPEB Expense | \$102,197 |

Deferred Outflows and Deferred Inflows Related to OPEB

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$0 | \$0 |
| Changes in assumptions | 28,055 | 0 |
| Contributions subsequent to the measurement date | 57,409 | |
| Total | \$85,464 | \$0 |

Employer contributions (benefit payments for unfunded plans) made subsequent to the measurement date of the total OPEB liability (December 31, 2017) and prior to the end of the employer's reporting period (September 30, 2018) should be reported by the employer as a deferred outflow related to OPEB. See paragraph 159 of GASB Statement No. 75 for plans that do not have formal assets.

The benefit payments made subsequent to the measurement date were \$57,409 (\$35,769 of explicit premium subsidies and \$21,640 of implicit subsidies). The implicit subsidy was estimated by multiplying the explicit costs by 0.605. The 0.605 factor equals the ratio of the expected implicit subsidy to the expected explicit costs. The calculation is similar to how the benefit payments for the measurement period were developed (see page B-1).

Deferred Outflows and Deferred Inflows to be Recognized in Future OPEB Expense

| Year Ending September 30 | Net Deferred Outflows/(Inflows) |
|-----------------------------|------------------------------------|
| 2019 | 3,294 |
| 2020 | 3,294 |
| 2021 | 3,294 |
| 2022 | 3,294 |
| 2023 | 3,294 |
| Thereafter | 11,585 |
| Total | \$28,055 |

Deferred Outflows and Inflows — Amortization Schedule

| | Remaining Recognition Period (or amortization years) | Total remaining Outflow or (Inflow) at Beginning of Measurement Period | Measurement Year | | | | | | | Total remaining Outflow or (Inflow) at end of Measurement Period | |
|------------------------------------|--|--|------------------|---------|---------|---------|---------|---------|------------|--|----------|
| | | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Thereafter | | |
| Differences in Experience | | | | | | | | | | | |
| | 2018 | 9.5172 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Assumption Changes | | | | | | | | | | | |
| | 2018 | 9.5172 | 31,349 | 3,294 | 3,294 | 3,294 | 3,294 | 3,294 | 3,294 | 11,585 | 28,055 |
| | Total | | \$3,294 | \$3,294 | \$3,294 | \$3,294 | \$3,294 | \$3,294 | \$3,294 | \$11,585 | |
| Total Recognized in Future Expense | | | | \$3,294 | \$3,294 | \$3,294 | \$3,294 | \$3,294 | \$3,294 | \$11,585 | \$28,055 |

This table is provided to document sources of the outstanding deferred inflows and outflows from year to year. The table is not a required disclosure. The required disclosures regarding deferred inflows and outflows of resources related to OPEB are shown on the previous page.

Actuarial Assumptions and Methods

Valuation Date: December 31, 2017

Methods and Assumptions:

Actuarial Cost Method – Individual Entry-Age

Discount Rate – 3.31% as of December 31, 2017

Inflation – 2.50%

Salary Increases – 0.50% to 5.00%, not including wage inflation of 3.25%

Demographic Assumptions – Based on the experience study covering the four-year period ending December 31, 2016 as conducted for the Texas County and District Retirement System (TCDRS)

Mortality – For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. Those rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014.

Health Care Trend Rates – Initial rate of 7.50% declining to an ultimate rate of 5.25% after 11 years; Ultimate trend rate includes a 1.00% adjustment for the excise tax

Participation Rates – 100% of retirees eligible for the County subsidy

Other Information:

Notes – The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

Discount Rate

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

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The following table provides a summary of the number of participants in the plan as of December 31, 2017:

| | |
|---|-------|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 6 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | |
| Active Plan Members | 147 |
| | <hr/> |
| Total Plan Members | 153 |

Sample Disclosures and Required Supplementary Information (RSI)

Illustration 4 in Appendix C of GASB Statement No. 75 provides sample note disclosures and required supplementary information for a single-employer plan that is not administered through a formal trust.

Sensitivity of Total OPEB Liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 3.31%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

| 1% Decrease 2.31% | Current Discount Rate Assumption 3.31% | 1% Increase 4.31% |
|----------------------|--|----------------------|
| \$ 997,773 | \$ 933,178 | \$ 871,198 |

Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

| 1% Decrease | Current Healthcare Cost Trend Rate Assumption | 1% Increase |
|-------------|--|-------------|
| \$ 827,842 | \$ 933,178 | \$1,060,082 |

Summary of Benefits

As of December 31, 2017

Normal Retirement Benefit

Gonzales County provides County funded / paid retiree health care coverage upon meeting the following eligibility requirements:

Eligibility

TCDRS employees with eight years of service and age sixty; employees with twenty years of service any age; or age plus years of service equals 75 (also called the Rule of 75).

Eligible retired employees and elected officials of Gonzales County shall be entitled to health insurance coverage under the County of Gonzales group medical coverage policy. The eligible employee or official will be entitled to coverage beginning in the month following the attainment of age set out under paragraph 2 and continuing until the last month before the employee is eligible for and covered by Medicare coverage under federal law.

Eligibility for County employees

Elected officials or employees utilizing the benefit under paragraph 1 (above) must meet the requirements set out in the following paragraph:

- Have served at least 18 years with the County of Gonzales and have attained the age of fifty-nine (59). County of Gonzales service may include any credit for military service allowed by the County retirement system.

Eligibility for Elected Officials

Elected officials who retire with at least twelve (12) years of service and are vested in the County retirement system, shall be allowed to participate in the health insurance coverage under the county group medical insurance. Participation shall be entirely at the County's expense. Eligibility shall begin in the month following the attainment of age 55 and the coverage allowed may continue until the employee is eligible for Medicare coverage under federal law. Elected employees utilizing this benefit must have served at least twelve (12) years with the County of Gonzales.

Coverage

In the event an official or employee being covered under paragraph 1 above accepts employment that provides medical health insurance coverage, they shall be dropped from the County of Gonzales health insurance coverage at the end of the last month prior to receiving the medical coverage obtained as part of their new employment.

Any retired employee or elected official eligible for coverage under this policy may remain covered under the County group medical insurance policy until the end of the month in which they attain the age required under this policy at their own expense. Failure to comply with any requirement of participation or failure to timely pay premiums may result in the loss of coverage.

Summary of Benefits

As of December 31, 2017

Medical Coverage Provider

The County offers one health care coverage plan, the Texas Association of Counties provided by Blue Cross Blue Shield.

Benefits for Spouses

The Retiree does not have the option of carrying a dependent on Gonzales County's health insurance policy. Spouses of deceased active employees do not have the option of continuing coverage on the County's health insurance policy.

Vision and Dental Coverage

N/A

Life Insurance Coverage

N/A

Retiree Opt-Out

Any official or employee covered under paragraph 1 who declines coverage or for any reason changes to a non-covered status, may not be re-admitted to coverage under paragraph 1 above. The lump-sum withdrawal of retirement from the retirement system shall also result in the termination of coverage under this policy.

Retiree Premiums Effective December 1, 2017

| | Total | Retiree | County |
|------------------------------|----------|---------|----------|
| Plan Coverage | Premium | Share | Share |
| Retiree eligible for subsidy | \$662.38 | \$0.00 | \$662.38 |

Underlying Retiree Claims Cost Development

The retiree costs were estimated based on the plan premiums effective December 1, 2017, and are used for both current and future retirees. An inherent assumption in this methodology is that the projected future retirees will have a similar distribution by plan type as the current retirees. The fully-insured premiums the County pays its insurance carrier are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees.

Age graded and sex distinct per capita costs are utilized by this valuation. These costs are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process "distributes" the average rate over all age/sex combinations and assigns a unique rate for each combination. The age/sex specific costs more accurately reflect the health care utilization and cost at that age.

The monthly per capita costs including medical and prescription drug benefits at select ages are shown below:

| For Those Not Eligible For Medicare | | |
|-------------------------------------|----------|----------|
| Age | Male | Female |
| 40 | \$350.86 | \$570.12 |
| 50 | 568.74 | 700.63 |
| 60 | 966.60 | 951.76 |
| 64 | 1,175.41 | 1,109.26 |

Once eligible for Medicare, retirees are no longer eligible to participate in the plan.

Gonzales County
 Total Active Members as of December 31, 2017
 By Attained Age and Years of Service

| Attained Age | Years of Service to Valuation Date | | | | | | | Total |
|---------------|------------------------------------|-----------|-----------|-----------|----------|----------|----------|------------|
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30 Plus | |
| Under 20 | | | | | | | | |
| 20-24 | 6 | | | | | | | 6 |
| 25-29 | 10 | 3 | | | | | | 13 |
| 30-34 | 11 | 6 | 4 | | | | | 21 |
| 35-39 | 5 | 4 | 4 | 1 | | | | 14 |
| 40-44 | 5 | 4 | 3 | 5 | | | | 17 |
| 45-49 | 3 | 3 | 5 | 1 | 1 | 1 | | 14 |
| 50-54 | 6 | 6 | 3 | 3 | | 2 | | 20 |
| 55-59 | 7 | 3 | 2 | 3 | 1 | 1 | 2 | 19 |
| 60-64 | 2 | 2 | 1 | 3 | 4 | 1 | 3 | 16 |
| 65 & Over | 1 | 2 | 2 | 2 | | | | 7 |
| Totals | 56 | 33 | 24 | 18 | 6 | 5 | 5 | 147 |

While not used in the financial computations, the following group averages are computed and shown because of their general interest

Age: 45.6 years
 Service: 9.7 years

Gonzales County
Total Retired Members as of December 31, 2017
By Attained Age

| Attained Age | Number of Retirees | | |
|--------------|--------------------|--------|-------|
| | Male | Female | Total |
| Under 55 | 0 | 0 | 0 |
| 55-59 | 0 | 1 | 1 |
| 60-64 | 4 | 1 | 5 |
| 65 & Over | 0 | 0 | 0 |
| Totals | 4 | 2 | 6 |

The number counts above only include those retirees who have elected to receive retiree health care coverage through the Gonzales County Retiree Health Care Plan.

Valuation Methods

Actuarial Cost Method — Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using an Individual Entry-Age Actuarial Cost Method having the following characteristics:

- (i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and
- (ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

Actuarial gains/(losses), as they occur, reduce/(increase) the Unfunded Actuarial Accrued Liability.

Actuarial Assumptions

The rate of inflation is assumed to be 2.50% per year.

The discount rate of 3.31% is based on the measurement date of December 31, 2017.

The rates of salary increase used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which future contributions will be based.

| Years of Service | % Increase in Salary at Sample Years of Service and Entry Ages* | | | |
|------------------|---|--------------|--------------|-------------------|
| | Before 30 | Ages 30 - 39 | Ages 40 - 49 | Ages 50 and later |
| 0 | 5.00% | 4.50% | 4.00% | 3.50% |
| 1 | 4.25 | 3.75 | 3.25 | 2.75 |
| 2 | 3.85 | 3.35 | 2.85 | 2.35 |
| 3 | 3.50 | 3.00 | 2.50 | 2.00 |
| 4 | 3.15 | 2.65 | 2.25 | 1.85 |
| 5 | 2.90 | 2.55 | 2.15 | 1.70 |
| 10 | 2.00 | 1.70 | 1.40 | 1.05 |
| 15 | 1.50 | 1.23 | 0.90 | 0.80 |
| 20 | 1.10 | 0.85 | 0.65 | 0.55 |
| 25 | 0.85 | 0.60 | 0.50 | 0.50 |
| 30 & Over | 0.60 | 0.60 | 0.50 | 0.50 |

* These rates do not include the wage inflation rate of 3.25% per year.

Actuarial Assumptions

The rates of post retirement mortality for healthy retirees: The gender distinct RP-2014 Healthy Annuitant Mortality Tables are used with rates for males multiplied by 130% and rates for females multiplied by 110%. For healthy retirees, the valuation employs fully generational mortality projections based on 110% of the ultimate rates of Scale MP-2014.

The rates of post retirement mortality for disabled retirees: The gender distinct RP-2014 Disabled Retiree Mortality Tables are used with rates for males multiplied by 130% and rates for females multiplied by 115%. For disabled retirees, the valuation employs fully generational mortality projections based on 110% of the ultimate rates of Scale MP-2014.

The rates of mortality for active members: The gender distinct RP-2014 Employee Mortality Tables are used with rates for males and females multiplied by 90%. For active members, the valuation employs fully generational mortality projections based on 110% of the ultimate rates of Scale MP-2014.

The rates of retirement are shown in the following table:

| Retirement Ages | Rates of Retirement |
|--------------------|------------------------|
| 40-44 | 4.5% |
| 45-49 | 9.0 |
| 50 | 10.0 |
| 51-53 | 9.0 |
| 54-57 | 10.0 |
| 58-61 | 12.0 |
| 62 | 20.0 |
| 63-64 | 15.0 |
| 65-66 | 25.0 |
| 67 | 22.0 |
| 68-69 | 20.0 |
| 70-74 | 22.0 |
| 75 | 100.0 |

Suppressed retirement rates are used for members who are within five years of reaching health care eligibility. For members who are within one to five years of reaching retiree health care eligibility, the rates shown above are multiplied by the factors shown below:

| Years to Health Care Eligibility | Factor |
|--|--------|
| 1 | 10% |
| 2 | 20% |
| 3 | 40% |
| 4 | 60% |
| 5 | 80% |

Actuarial Assumptions

Rates of separation from active membership were as shown below (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members remaining in employment.

| Service | Entry Age <30 | | Entry Age 30-39 | | Entry Age 40-49 | | Entry Age 50 and Up | |
|---------|---------------|--------|-----------------|--------|-----------------|--------|---------------------|--------|
| | Male | Female | Male | Female | Male | Female | Male | Female |
| 0 | 33.40% | 36.20% | 27.80% | 30.20% | 23.70% | 25.60% | 22.30% | 24.10% |
| 1 | 22.80 | 24.80 | 19.20 | 20.80 | 16.30 | 17.70 | 15.40 | 16.60 |
| 2 | 17.00 | 18.40 | 14.40 | 15.60 | 12.20 | 13.30 | 11.50 | 12.50 |
| 3 | 13.50 | 14.60 | 11.50 | 12.50 | 9.80 | 10.60 | 9.20 | 10.00 |
| 4 | 11.10 | 12.10 | 9.60 | 10.40 | 8.20 | 8.80 | 7.70 | 8.30 |
| 5 | 9.90 | 10.80 | 8.60 | 9.40 | 7.30 | 8.00 | 6.90 | 7.50 |
| 6 | 8.80 | 9.50 | 7.70 | 8.30 | 6.50 | 7.10 | 6.10 | 6.70 |
| 7 | 7.80 | 8.50 | 6.90 | 7.50 | 5.90 | 6.40 | 5.50 | 6.00 |
| 8 | 6.50 | 7.00 | 5.80 | 6.20 | 4.90 | 5.30 | 4.60 | 5.00 |
| 9 | 6.20 | 6.70 | 5.60 | 6.00 | 4.70 | 5.10 | 4.50 | 4.80 |
| 10 | 5.50 | 5.90 | 5.00 | 5.40 | 4.20 | 4.60 | 4.00 | 4.30 |
| 11 | 4.80 | 5.20 | 4.40 | 4.80 | 3.80 | 4.10 | 3.50 | 3.80 |
| 12 | 4.40 | 4.70 | 4.00 | 4.40 | 3.40 | 3.70 | 3.20 | 3.50 |
| 13 | 3.90 | 4.20 | 3.60 | 4.00 | 3.10 | 3.40 | 2.90 | 3.20 |
| 14 | 3.50 | 3.70 | 3.30 | 3.50 | 2.80 | 3.00 | 2.60 | 2.80 |
| 15 | 3.00 | 3.30 | 2.90 | 3.10 | 2.40 | 2.70 | 2.30 | 2.50 |
| 16 | 2.60 | 2.80 | 2.50 | 2.70 | 2.10 | 2.30 | 2.00 | 2.20 |
| 17 | 2.30 | 2.50 | 2.20 | 2.40 | 1.90 | 2.00 | 1.80 | 1.90 |
| 18 | 2.00 | 2.10 | 1.90 | 2.10 | 1.60 | 1.80 | 1.50 | 1.70 |
| 19 | 1.70 | 1.90 | 1.70 | 1.90 | 1.50 | 1.60 | 1.40 | 1.50 |
| 20 | 1.57 | 1.77 | 1.57 | 1.77 | 1.37 | 1.47 | 1.30 | 1.40 |
| 21 | 1.43 | 1.63 | 1.43 | 1.63 | 1.23 | 1.33 | 1.20 | 1.30 |
| 22 | 1.30 | 1.50 | 1.30 | 1.50 | 1.10 | 1.20 | 1.10 | 1.20 |
| 23 | 1.24 | 1.40 | 1.24 | 1.40 | 1.04 | 1.14 | 1.04 | 1.12 |
| 24 | 1.18 | 1.30 | 1.18 | 1.30 | 0.98 | 1.08 | 0.98 | 1.04 |
| 25 | 1.12 | 1.20 | 1.12 | 1.20 | 0.92 | 1.02 | 0.92 | 0.96 |
| 26 | 1.06 | 1.10 | 1.06 | 1.10 | 0.86 | 0.96 | 0.86 | 0.88 |
| 27 | 1.00 | 1.00 | 1.00 | 1.00 | 0.80 | 0.90 | 0.80 | 0.80 |
| 28 | 0.94 | 0.90 | 0.94 | 0.90 | 0.74 | 0.84 | 0.74 | 0.72 |
| 29 | 0.88 | 0.80 | 0.88 | 0.80 | 0.68 | 0.78 | 0.68 | 0.64 |
| 30 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

Actuarial Assumptions

Rates of disability among active members. Sample rates are shown below:

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

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

Actuarial Assumptions

Health cost increases are displayed in the following table:

| Year | Health Care Trend Inflation Rates |
|--------------|---|
| | Medical and Drug |
| 2018 | 7.50% |
| 2019 | 7.20 |
| 2020 | 6.90 |
| 2021 | 6.70 |
| 2021 | 6.50 |
| 2023 | 6.30 |
| 2024 | 6.10 |
| 2025 | 5.90 |
| 2026 | 5.70 |
| 2027 | 5.50 |
| 2028 | 5.30 |
| 2029 & Later | 5.25 |

Miscellaneous and Technical

| | |
|-----------------------------------|--|
| Administrative Expenses | No explicit assumption has been made for administrative expenses. |
| Claims Utilization | To model the impact of aging on the underlying health care costs, the valuation relied on the Society of Actuaries' 2013 Study "Health Care Costs — From Birth to Death". Chart 1 (2010 Aggregate Commercial Costs) was used to model the impact of aging for ages less than 65. |
| Decrement Timing | Decrements of all types are assumed to occur mid-year. |
| Decrement Operation | Ordinary disability does not operate during retirement eligibility; however duty disability is assumed to operate during retirement eligibility. |
| Eligibility Testing | Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur. |
| Medicare Coverage | Assumed to be available for all covered employees on attainment of age 65. Disabled retirees were assumed to be eligible for Medicare coverage at age 65. |
| Election Percentage | It was assumed that 100% of retirees eligible for the County subsidy would choose to receive retiree health care benefits through the County. Of those assumed to elect coverage, 100% were assumed to elect onperson coverage. It was also assumed that no employees would elect coverage under the County's plan if they did not qualify for the County subsidy. |
| Demographic Assumptions | This report has used the same demographic assumptions used to value the defined benefit retirement plan in which the members participate. We are reliant upon the retirement plan actuary to develop the demographic assumptions. Based on our experience, the assumptions appear reasonable. |
| Excise Tax and Health Care Reform | The ultimate trend assumption was increased from 4.25% to 5.25% to reflect the anticipated impact of the excise tax on high-cost employer health plans effective January 1, 2022. The "Cadillac" tax is a 40% excise tax paid by the coverage provider (employer and/or insurer) on the value of health plan costs in excess of legislated thresholds. The thresholds will be indexed at CPI-U, which is lower than the medical inflation rates affecting the cost of the plans. As a result, many plans that are below the thresholds today are likely to exceed them in the next decade. |

Assumption, Method, and Plan Changes

| | |
|--------------------------------------|--|
| Assumption, Method, and Plan Changes | The discount rate decreased from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017. This change increased the total OPEB liability. |
|--------------------------------------|--|

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability and Related Ratios

| | Year Ended December 31 | | | | | | | | | |
|--|------------------------|---------------------|---------------------|---------------------|------------|------------|------------|------------|------------|------------|
| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
| Total Pension Liability | | | | | | | | | | |
| Service cost | \$990,850 | \$976,508 | \$857,720 | \$743,601 | N/A | N/A | N/A | N/A | N/A | N/A |
| Interest on total pension liability | 1,682,545 | 1,507,148 | 1,401,918 | 1,294,712 | N/A | N/A | N/A | N/A | N/A | N/A |
| Effect of plan changes | 1,690,735 | 0 | (138,275) | 0 | N/A | N/A | N/A | N/A | N/A | N/A |
| Effect of assumption changes or inputs | 76,452 | 0 | 188,450 | 0 | N/A | N/A | N/A | N/A | N/A | N/A |
| Effect of economic/demographic (gains) or losses | 65,142 | 76,858 | (272,441) | (80,324) | N/A | N/A | N/A | N/A | N/A | N/A |
| Benefit payments/refunds of contributions | <u>(1,011,109)</u> | <u>(807,317)</u> | <u>(737,771)</u> | <u>(693,130)</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 change in total pension liability | 3,494,615 | 1,753,197 | 1,299,600 | 1,264,861 | N/A | N/A | N/A | N/A | N/A | N/A |
| Total pension liability, beginning | <u>20,277,018</u> | <u>18,523,821</u> | <u>17,224,221</u> | <u>15,959,360</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> |
| Total pension liability, ending (a) | <u>\$23,771,633</u> | <u>\$20,277,018</u> | <u>\$18,523,821</u> | <u>\$17,224,221</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 | \$1,486,847 | \$1,028,452 | \$961,758 | \$968,268 | N/A | N/A | N/A | N/A | N/A | N/A |
| Member contributions | 517,897 | 490,058 | 458,249 | 413,741 | N/A | N/A | N/A | N/A | N/A | N/A |
| Investment income net of investment expenses | 2,567,918 | 1,152,169 | (73,671) | 912,845 | N/A | N/A | N/A | N/A | N/A | N/A |
| Benefit payments/refunds of contributions | (1,011,109) | (807,317) | (737,771) | (693,130) | N/A | N/A | N/A | N/A | N/A | N/A |
| Administrative expenses | (13,995) | (12,548) | (10,993) | (10,918) | N/A | N/A | N/A | N/A | N/A | N/A |
| Other | <u>13,184</u> | <u>97,321</u> | <u>36,146</u> | <u>(76,138)</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 change in fiduciary net position | 3,560,743 | 1,948,135 | 633,718 | 1,514,669 | N/A | N/A | N/A | N/A | N/A | N/A |
| Fiduciary net position, beginning | <u>17,483,191</u> | <u>15,535,056</u> | <u>14,901,338</u> | <u>13,386,669</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, ending (b) | <u>\$21,043,934</u> | <u>\$17,483,191</u> | <u>\$15,535,056</u> | <u>\$14,901,338</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>\$2,727,700</u> | <u>\$2,793,827</u> | <u>\$2,988,765</u> | <u>\$2,322,883</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 | 88.53% | 86.22% | 83.87% | 86.51% | N/A | N/A | N/A | N/A | N/A | N/A |
| Pensionable covered payroll | 7,398,525 | 7,000,833 | 6,546,416 | 5,910,589 | N/A | N/A | N/A | N/A | N/A | N/A |
| Net pension liability/(asset) as % of covered payroll | 36.87% | 39.91% | 45.65% | 39.30% | N/A | N/A | N/A | N/A | N/A | N/A |

Schedule of Employer Contributions

| Year Ending December-19 | Actuarially Determined Contribution | Actual Employer Contribution | Contribution Deficiency (Excess) | Pensionable Covered Payroll | Actual Contribution as a % of Covered Payroll |
|-------------------------------|---|------------------------------------|--|-----------------------------------|---|
| 2008 | \$349,198 | \$349,198 | 0 | \$3,664,200 | 9.5% |
| 2009 | 347,126 | 359,577 | (12,451) | 3,773,107 | 9.5% |
| 2010 | 363,114 | 369,314 | (6,200) | 3,875,281 | 9.5% |
| 2011 | 377,943 | 383,579 | (5,636) | 4,024,955 | 9.5% |
| 2012 | 514,476 | 614,477 | (100,002) | 4,237,857 | 14.5% |
| 2013 | 717,705 | 817,720 | (100,015) | 4,885,673 | 16.7% |
| 2014 | 868,268 | 968,268 | (100,000) | 5,910,589 | 16.4% |
| 2015 | 840,560 | 961,758 | (121,198) | 6,546,416 | 14.7% |
| 2016 | 830,999 | 1,028,452 | (197,454) | 7,000,833 | 14.7% |
| 2017 | 845,651 | 1,486,847 | (641,196) | 7,398,525 | 20.1% |

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

| | |
|---|---|
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level percentage of payroll, closed |
| Remaining Amortization Period | 10.1 years (based on contribution rate calculated in 12/31/2017 valuation) |
| Asset Valuation Method | 5-year smoothed market |
| Inflation | 2.75% |
| Salary Increases | Varies by age and service. 4.9% average over career including inflation. |
| Investment Rate of Return | 8.00%, net of administrative and investment expenses, including inflation |
| Retirement Age | Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61. |
| Mortality | 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RPQ014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. |
| Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions* | 2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. |
| Changes in Plan Provisions Reflected in the Schedule of Employer Contributions* | 2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. |

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

Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2017 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Gonzales County December 31, 2017 Summary Valuation Report for further details.

The following are the key assumptions and methods used in this GASB analysis.

| | |
|---|---|
| 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 | 5 years |
| Smoothing period | Non-asymptotic |
| Recognition | None |
| method Corridor | Same as funding valuation: See Appendix C |
| Inflation | Same as funding valuation: See Appendix C |
| Salary Increases | 8.10% (Gross of administrative expenses) |
| Investment Rate of Return | Cost-of-Living Adjustments for Gonzales County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation. |
| Cost-of-Living Adjustments | |
| Retirement Age | Same as funding valuation: See Appendix C |
| Turnover | Same as funding valuation: See Appendix C |
| Mortality | Same as funding valuation: See Appendix C |

Schedule of Changes in Total OPEB Liability and Related Ratios
Fiscal Year Ending September 30, 2018

| | |
|--|-------------|
| Total OPEB liability | |
| Service Cost | \$65,297 |
| Interest on the total OPEB liability | 33,606 |
| Changes of benefit terms | 0 |
| Difference between expected and actual experience of the total OPEB liability | 0 |
| Changes of assumptions | 31,349 |
| Benefit payments | (92,944) |
| Net change in total OPEB liability | 37,308 |
| Total OPEB liability - beginning | 895,870 |
| Total OPEB liability - ending | 933,178 |
| Covered-employee payroll | \$6,921,726 |
| Total OPEB liability as a percentage of covered-employee payroll | 13.48% |

The table above contains information for the RSI section of the financials. The ending Total OPEB liability was as of December 31, 2017.

Changes of assumptions reflect a change in the discount rate from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

The benefit payments during the measurement period were determined as follows:

| | |
|------------------------------|--|
| | (provided by the |
| a. Explicit benefit payments | \$57,909 County) |
| b. Implicit benefit payments | 35,035 (explicit benefit payments * 0.605) |
| c. Total benefit payments | \$92,944 |

The 0.605 factor equals the ratio of the expected implicit subsidy to the expected explicit costs.

Actuarial Assumptions and Methods

Valuation Date: December 31, 2017

Methods and Assumptions:

Actuarial Cost Method – Individual Entry-Age

Discount Rate – 3.31% as of December 31, 2017

Inflation – 2.50%

Salary Increases – 0.50% to 5.00%, not including wage inflation of 3.25%

Demographic Assumptions – Based on the experience study covering the four-year period ending December 31, 2016 as conducted for the Texas County and District Retirement System (TCDRS)

Mortality – For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. Those rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014.

Health Care Trend Rates – Initial rate of 7.50% declining to an ultimate rate of 5.25% after 11 years; Ultimate trend rate includes a 1.00% adjustment for the excise tax

Participation Rates – 100% of retirees eligible for the County subsidy

Other Information:

Notes – The discount rate changed from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017

GONZALES COUNTY, TEXAS
ENERGY TRANSPORTATION REINVESTMENT FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | Budgeted Amounts | | Actual | Variance with |
|--|------------------|-------------|-------------|--|
| | Original | Final | | Final Budget - Positive (Negative) |
| REVENUES | | | | |
| Interest | | \$0 | \$0 | \$0 |
| Miscellaneous | | | 1 | 1 |
| Total Revenues | 0 | 0 | 1 | 1 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Capital Projects - | | | | |
| Capital Outlay and Other | | | | 0 |
| Debt Service | | | | |
| Principal Retirement | | | | 0 |
| Total Expenditures | 0 | 0 | 0 | 0 |
| Excess (Deficiency) of Revenues Over (Under) | | | | |
| Expenditures | 0 | 0 | 1 | 1 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Operating Transfers In | | | | 0 |
| Operating Transfers Out | 0 | (3,254,429) | (3,254,429) | 0 |
| Total Other Financing Sources (Uses) | 0 | (3,254,429) | (3,254,429) | 0 |
| Net Changes in Fund Balances | 0 | (3,254,429) | (3,254,428) | 1 |
| Fund Balances - Beginning | 3,248,073 | 3,248,073 | 3,248,073 | |
| Fund Balances - Ending | \$3,248,073 | (\$6,356) | (\$6,355) | \$1 |

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GONZALES COUNTY, TEXAS
BALANCE SHEET - ROAD AND BRIDGE FUND
SEPTEMBER 30, 2018

| | Road and Bridge No. 1 | Road and Bridge No. 2 | Road and Bridge No. 3 | Road and Bridge No. 4 | Road and Bridge No. 1,2,3 | Total Road and Bridge |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------|
| ASSETS | | | | | | |
| Cash and Cash Equivalents | \$2,159,455 | \$2,238,504 | \$2,549,212 | \$2,832,953 | \$1,474 | \$9,781,598 |
| Receivables (net of allowance for uncollectibles) | | | | | | 0 |
| Prepaid Insurance | 2,927 | 4,241 | 2,932 | 3,142 | | 13,242 |
| Total Assets | \$2,162,382 | \$2,242,745 | \$2,552,144 | \$2,836,095 | \$1,474 | 9,794,840 |
| LIABILITIES AND FUND BALANCES: | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | \$19,264 | \$15,007 | \$21,622 | \$46,507 | \$0 | \$102,400 |
| Accrued Wages | 10,038 | 10,332 | 7,893 | 8,468 | 1,037 | 37,768 |
| Total Liabilities | 29,302 | 25,339 | 29,515 | 54,975 | 1,037 | 140,168 |
| Fund Balances: | | | | | | |
| Non-Spendable | | | | | | |
| Prepaid Insurance | 2,927 | 4,241 | 2,932 | 3,142 | 0 | 13,242 |
| Restricted | | | | | | |
| Public Transportation | 2,130,153 | 2,213,165 | 2,519,697 | 2,777,978 | 437 | 9,641,430 |
| Total Fund Balance | 2,133,080 | 2,217,406 | 2,522,629 | 2,781,120 | 437 | 9,654,672 |
| Total Liabilities and Fund Balances | \$2,162,382 | \$2,242,745 | \$2,552,144 | \$2,836,095 | \$1,474 | \$9,794,840 |

The accompanying notes are an integral part of this statement.

GONZALES COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - ROAD AND BRIDGE FUNDS
YEAR ENDED SEPTEMBER 30, 2018

| | Road and Bridge No. 1 | Road and Bridge No. 2 | Road and Bridge No. 3 | Road and Bridge No. 4 | Road and Bridge No. 1,2,3 | Total Road and Bridge |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------|
| <i>REVENUES</i> | | | | | | |
| Taxes | | | | | | |
| Property | \$897,535 | \$897,535 | \$897,535 | \$897,535 | | \$3,590,140 |
| Intergovernmental | 7,341 | 7,341 | 7,341 | 7,341 | | 29,364 |
| Licenses and Permits | 179,711 | 179,711 | 179,911 | 179,711 | | 719,044 |
| Oil and Gas Royalties | 42,181 | 42,181 | 42,181 | 42,181 | | 168,724 |
| Interest | 14,122 | 6,730 | 15,140 | 10,030 | | 46,022 |
| Miscellaneous | 19,109 | 59,046 | 10,977 | 21,532 | | 110,664 |
| Total Revenues | <u>1,159,999</u> | <u>1,192,544</u> | <u>1,153,085</u> | <u>1,158,330</u> | <u>0</u> | <u>4,663,958</u> |
| <i>EXPENDITURES</i> | | | | | | |
| Current: | | | | | | |
| Public Transportation | | | | | | |
| Road and Bridge | 1,384,581 | 1,393,138 | 1,239,258 | 910,067 | 65,524 | 4,992,568 |
| Debt Service | | | | | | |
| Principal Retirement | 11,190 | 97,377 | | | | 108,567 |
| Interest Retirement | 100 | 6,556 | | | | 6,656 |
| Total Expenditures | <u>1,395,871</u> | <u>1,497,071</u> | <u>1,239,258</u> | <u>910,067</u> | <u>65,524</u> | <u>5,107,791</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(235,872)</u> | <u>(304,527)</u> | <u>(86,173)</u> | <u>248,263</u> | <u>(65,524)</u> | <u>(443,833)</u> |
| <i>OTHER FINANCING SOURCES (USES):</i> | | | | | | |
| Other Financing Sources - Capital Lease | | 106,167 | | | | 106,167 |
| Operating Transfers In | 813,607 | 813,607 | | 813,607 | 65,961 | 2,506,782 |
| Operating Transfers Out | (21,987) | (21,987) | (21,987) | | | (65,961) |
| Total Other Financing Sources (Uses) | <u>791,620</u> | <u>897,787</u> | <u>(21,987)</u> | <u>813,607</u> | <u>65,961</u> | <u>2,546,988</u> |
| Net Changes in Fund Balances | 555,748 | 593,260 | (108,160) | 1,061,870 | 437 | 2,103,155 |
| Fund Balances - Beginning | 1,577,332 | 1,624,146 | 2,630,789 | 1,719,250 | | 7,551,517 |
| Fund Balances - Ending | <u>\$2,133,080</u> | <u>\$2,217,406</u> | <u>\$2,522,629</u> | <u>\$2,781,120</u> | <u>\$437</u> | <u>\$9,654,672</u> |

The accompanying notes are an integral part of this statement.

GONZALES COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2018

| | SPECIAL REVENUE | | | | | | | | | | | | | | | | |
|--|-------------------------------|------------------------------|---|---|--------------------------------|---------------------------------------|------------------------------------|----------------------|-----------------|------------------------------------|--|--|------------------------|-------------------------------------|--------------------------|-----------------|--------------------------|
| | APPELLATE JUDICIAL FUND | CHILD ABUSE PREVENTION | COUNTY AND DISTRICT COURT TECHNOLOGY | COUNTY JUDGE EXCESS SUPPLEMENT | COURTHOUSE SECURITY FUND | COURT REPORTER SERVICES FUND | DIGITAL RECORDS PRESERVATION | FAMILY PROTECTION | HAVA GRANT | INDIGENT HEALTH CARE FUND | JUSTICE COURT BUILDING SECURITY | JUSTICE COURT TECHNOLOGY FUND | LAW LIBRARY FUND | LOCAL BORDER SECURITY FUND | MEDIATION FEE FUND | MVBA FUND | PROBATE COURT FUND |
| ASSETS | | | | | | | | | | | | | | | | | |
| Cash and Cash Equivalents | \$2,446 | \$1,300 | \$8,003 | \$3,500 | \$4,393 | \$2,697 | \$24,444 | \$2,790 | \$16,564 | \$16,530 | \$45,842 | \$10,624 | \$87,488 | \$0 | \$41,247 | \$17,790 | \$1,148 |
| Receivables (net of allowance for uncollectibles) | | | | | | | | | | | | | 458 | | | | |
| TOTAL ASSETS | \$2,446 | \$1,300 | \$8,003 | \$3,500 | \$4,393 | \$2,697 | \$24,444 | \$2,790 | \$16,564 | \$16,530 | \$45,842 | \$10,624 | \$87,946 | \$0 | \$41,247 | \$17,790 | \$1,148 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | | | | | | |
| Liabilities | | | | | | | | | | | | | | | | | |
| Accounts Payable | | | | | | | \$3 | | | | \$65 | \$268 | | | | | \$2,102 |
| Accrued Wages | | | | | | | | | | | | | | | | | |
| Unearned Revenues | | | | | | | | | | | | | | | | | |
| Total Liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 65 | 268 | 0 | 0 | 0 | 2,102 | 0 |
| Fund Balances | | | | | | | | | | | | | | | | | |
| Restricted | | | | | | | | | | | | | | | | | |
| Elections | | | | | | | | | 16,564 | | | | | | | | |
| Health Care | | | | | | | | | | 16,530 | | | | | | | |
| General Administration | | | | 3,500 | | | | | | | | | | | | | |
| Judicial | 2,446 | 1,300 | 8,003 | | | 2,697 | | 2,790 | | | | 10,356 | 87,946 | | 41,247 | 15,688 | 1,148 |
| Vital Statistics | | | | | | | | | | | | | | | | | |
| Public Safety | | | | | | | | | | | | | | | | | |
| Public Safety - Sheriff | | | | | 4,393 | | | | | | 45,777 | | | | | | |
| Records Archives | | | | | | | 24,441 | | | | | | | | | | |
| Total Fund Balances | 2,446 | 1,300 | 8,003 | 3,500 | 4,393 | 2,697 | 24,441 | 2,790 | 16,564 | 16,530 | 45,777 | 10,356 | 87,946 | 0 | 41,247 | 15,688 | 1,148 |
| TOTAL LIABILITIES AND FUND BALANCES | \$2,446 | \$1,300 | \$8,003 | \$3,500 | \$4,393 | \$2,697 | \$24,444 | \$2,790 | \$16,564 | \$16,530 | \$45,842 | \$10,624 | \$87,946 | \$0 | \$41,247 | \$17,790 | \$1,148 |

(continued)

SPECIAL REVENUE

| RECORDS MANAGEMENT COUNTY CLERK | RECORDS MANAGEMENT - COUNTY AND DISTRICT | RECORDS MANAGEMENT DISTRICT CLERK | RECORDS MANAGEMENT AND PRESERVATION | SCAAP FUND | SUPPLEMENTAL GUARDIANSHIP FEE FUND | VITAL STATISTICS FUND | NON-MAJOR GOVERN- MENTAL FUNDS |
|--|---|--|--|---------------|---|-----------------------------|---|
| \$344,879 | \$54,648 | \$14,941 | \$7,805 | \$7,754 | \$15,300 | \$13,725 | \$745,858 |
| | | | | | | | 458 |
| \$344,879 | \$54,648 | \$14,941 | \$7,805 | \$7,754 | \$15,300 | \$13,725 | \$746,316 |

| | | | | | | | |
|---|---|------|---|---------|---|---|---------|
| | | \$79 | | \$1,600 | | | \$4,117 |
| | | | | | | | 0 |
| | | | | | | | 0 |
| 0 | 0 | 79 | 0 | 1,600 | 0 | 0 | 4,117 |

| | | | | | | | |
|-----------|----------|----------|---------|---------|----------|----------|-----------|
| | | | | | | | 16,564 |
| | | | | | | | 16,530 |
| | | | | | | | 3,500 |
| | | 14,862 | | | 15,300 | | 203,783 |
| | | | | | | 13,725 | 13,725 |
| | | | | 6,154 | | | 6,154 |
| 344,879 | 54,648 | | 7,805 | | | | 50,170 |
| | | | | | | | 431,773 |
| 344,879 | 54,648 | 14,862 | 7,805 | 6,154 | 15,300 | 13,725 | 742,199 |
| \$344,879 | \$54,648 | \$14,941 | \$7,805 | \$7,754 | \$15,300 | \$13,725 | \$746,316 |

GONZALES COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | SPECIAL REVENUE | | | | | | | | | | | | | | | | |
|---|-------------------------------|------------------------------|---|---|--------------------------------|---------------------------------------|------------------------------------|----------------------|---------------|------------------------------------|--|--|------------------------|-------------------------------------|--------------------------|--------------|--------------------------|
| | APPELLATE JUDICIAL FUND | CHILD ABUSE PREVENTION | COUNTY AND DISTRICT COURT TECHNOLOGY | COUNTY JUDGE EXCESS SUPPLEMENT | COURTHOUSE SECURITY FUND | COURT REPORTER SERVICES FUND | DIGITAL RECORDS PRESERVATION | FAMILY PROTECTION | HAVA GRANT | INDIGENT HEALTH CARE FUND | JUSTICE COURT BUILDING SECURITY | JUSTICE COURT TECHNOLOGY FUND | LAW LIBRARY FUND | LOCAL BORDER SECURITY FUND | MEDIATION FEE FUND | MVBA FUND | PROBATE COURT FUND |
| REVENUES | | | | | | | | | | | | | | | | | |
| Intergovernmental | | | | | | | | | | | | | | \$3,736 | | | |
| Charges for Services | 1,866 | 100 | 1,135 | | 17,811 | 3,363 | 4,022 | 995 | | | 4,959 | 19,915 | 13,062 | | 3,732 | 44,843 | 255 |
| Interest | | | | | | | | | 251 | | | | | | | | |
| Total Revenues | 1,866 | 100 | 1,135 | 0 | 17,811 | 3,363 | 4,022 | 995 | 0 | 251 | 4,959 | 19,915 | 13,062 | 3,736 | 3,732 | 44,843 | 255 |
| EXPENDITURES | | | | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | | | | |
| General Administration | | | | | | | | | | | | | | | | | |
| General Administration | | | | | | | 6,144 | | | | | | | | | | |
| Records Management | | | | | | | | | | | | | | | | | |
| Judicial | | | | | | | | | | | | | | | | | |
| Judicial | 1,454 | | | | | 2,975 | | | | 11,579 | 37,295 | 4,631 | | | | 31,553 | |
| Public Safety | | | | | | | | | | | | | | | | | |
| Sheriff | | | | | 15,143 | | | | | | | | | | | | |
| Total Expenditures | 1,454 | 0 | 0 | 0 | 15,143 | 2,975 | 6,144 | 0 | 0 | 0 | 11,579 | 37,295 | 4,631 | 0 | 0 | 31,553 | 0 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 412 | 100 | 1,135 | 0 | 2,668 | 388 | (2,122) | 995 | 0 | 251 | (6,620) | (17,380) | 8,431 | 3,736 | 3,732 | 13,290 | 255 |
| OTHER FINANCING SOURCES (USES): | | | | | | | | | | | | | | | | | |
| Operating Transfers In | | | | | | | | | | | | | | | | | |
| Operating Transfers Out | | | | | | | | | | | | | | (57,487) | | | |
| Total Other Financing Sources (Uses) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (57,487) | 0 | 0 | 0 |
| Net Changes in Fund Balances | 412 | 100 | 1,135 | 0 | 2,668 | 388 | (2,122) | 995 | 0 | 251 | (6,620) | (17,380) | 8,431 | (53,751) | 3,732 | 13,290 | 255 |
| Fund Balances - Beginning | 2,034 | 1,200 | 6,868 | 3,500 | 1,725 | 2,309 | 26,563 | 1,795 | 16,564 | 16,279 | 52,397 | 27,736 | 79,515 | 53,751 | 37,515 | 2,398 | 893 |
| Fund Balances - Ending | \$2,446 | \$1,300 | \$8,003 | \$3,500 | \$4,393 | \$2,697 | \$24,441 | \$2,790 | \$16,564 | \$16,530 | \$45,777 | \$10,356 | \$87,946 | \$0 | \$41,247 | \$15,688 | \$1,148 |

(continued)

| SPECIAL REVENUE | | | | | | | |
|--|---|--|--|---------------|---|-----------------------------|---|
| RECORDS MANAGEMENT COUNTY CLERK | RECORDS MANAGEMENT - COUNTY AND DISTRICT | RECORDS MANAGEMENT DISTRICT CLERK | RECORDS MANAGEMENT AND PRESERVATION | SCAAP FUND | SUPPLEMENTAL GUARDIANSHIP FEE FUND | VITAL STATISTICS FUND | NON-MAJOR GOVERN- MENTAL FUNDS |
| | | | | \$15,119 | | | \$18,855 |
| 46,690 | 8,693 | 2,959 | 716 | | 2,300 | 991 | 178,407 |
| | | | | | | | 251 |
| 46,690 | 8,693 | 2,959 | 716 | 15,119 | 2,300 | 991 | 197,513 |
| | | | | | | | 6,144 |
| 2,676 | 14,400 | | | | | | 17,076 |
| | | 2,050 | | | | | 91,537 |
| | | | | 20,032 | | | 35,175 |
| 2,676 | 14,400 | 2,050 | 0 | 20,032 | 0 | 0 | 149,932 |
| 44,014 | (5,707) | 909 | 716 | (4,913) | 2,300 | 991 | 47,581 |
| | | | | | | | 0 |
| | | | | | | | (57,487) |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | (57,487) |
| 44,014 | (5,707) | 909 | 716 | (4,913) | 2,300 | 991 | (9,906) |
| 300,865 | 60,355 | 13,953 | 7,089 | 11,067 | 13,000 | 12,734 | 752,105 |
| \$344,879 | \$54,648 | \$14,862 | \$7,805 | \$6,154 | \$15,300 | \$13,725 | \$742,199 |