

LAMAR COUNTY, TEXAS

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2017*

*Introductory Section*

Lamar County, Texas  
Annual Financial Report  
For The Year Ended September 30, 2017

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*Financial Section*

# Malnory, McNeal & Company, PC

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### Independent Auditor's Report

To the County Commissioners  
Lamar County, Texas  
119 North Main  
Paris, Texas 75460

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lamar County, Texas ("the County") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County'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 County'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 Lamar County, Texas as of September 30, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lamar County, Texas' basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2018 on our consideration of Lamar County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lamar County, Texas' internal control over financial reporting and compliance.

*Malnery, McNeal & Company PC*  
Certified Public Accountants

June 6, 2018  
Paris, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Lamar County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2017. Please read it in conjunction with the County's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The County's total combined Net Position was \$32,237,041 at September 30, 2017.
- During the year, the County's expenses were \$33,835 less than the \$22,087,438 generated in taxes and other revenues for governmental activities.
- The total cost of the County's programs was 0.4% lower than last year.
- The unassigned fund balance of the general fund was \$3,333,769, or 24% of total general fund expenditures, which is slightly lower than last year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

### Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. In addition, they report the County's net position and how they have changed.

The first government-wide statement - The Statement of Net Position includes all of the County's assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. Over time increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. Additionally, nonfinancial factors, such as a change in the County's property tax base or condition of County facilities and infrastructure, should be considered to assess the overall health of the County.

The second statement – The Statement of Activities presents information showing how the County's net position changed during the fiscal year. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The information on governmental activities included in the statement reflect the County's basic services including general government, public safety, public transportation, health and human services, and others. Taxes, including the property taxes, license and permit fees, intergovernmental revenues, charges for services, fines and forfeitures, and investment income finance most of these activities.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the County's most significant *funds*—not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Commissioners Court establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The County has the following kinds of funds:

- *Governmental funds*—Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The County is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary Net Position and a statement of changes in fiduciary Net Position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position: The County's combined Net Position was \$32,237,041 at September 30, 2017. (See Table A-1).

Table A-1  
County's Net Position

	Governmental Activities	
	2017	2016
<b>Assets:</b>		
Cash and cash equivalents	\$16,920,960	\$14,747,103
Investments	36,941	36,686
Receivables (net of allowances for uncollectibles):		
Interest	12,085	9,509
Taxes	1,335,487	1,329,851
Accounts	1,135,650	1,771,846
Due from other governments	610,875	541,897
Inventories	176,025	126,730
Prepaid Insurance	34,051	48,051
Capital assets (net, where applicable, of accumulated depreciation)	24,724,447	23,291,276
Total Assets and Other Debits	<u>44,986,524</u>	<u>41,902,949</u>
Deferred Outflows of Resources	<u>3,022,059</u>	<u>3,601,727</u>
<b>Liabilities:</b>		
Accounts payable and Accrued expenditures	1,017,124	1,065,538
Due to Other Funds	--	31,602
Due to Beneficiaries	--	37,690
Noncurrent Liabilities:		
Due Within One Year	545,000	525,000
Due in More than One Year	8,361,667	5,980,003
Compensated Absences Payable	384,929	275,848
Unamortized Premium on Bonds	104,846	122,740
Net Pension Liability	4,906,349	4,880,024
Total Liabilities	<u>15,319,915</u>	<u>12,918,445</u>
Deferred Inflows of Resources	<u>451,627</u>	<u>420,713</u>
<b>Net Position:</b>		
Invested in Capital Assets, Net of Related Debt	21,549,968	20,829,091
Restricted For:		
Federal and State Programs	88,263	68,972
Debt Service	--	32,495
Capital Projects	3,045,467	704,601
Indigent Care	242,850	--
Records Management	899,867	716,244
Judicial	220,553	211,828
Other Purposes	2,851,218	1,839,619
Unrestricted	<u>3,338,855</u>	<u>7,762,668</u>
Total Net Position	<u>\$32,237,041</u>	<u>\$32,165,518</u>

The \$3,338,855 of unrestricted net asset represents resources available to fund the programs of the County next year.

**Changes in Net Position.** The County's total revenues were \$22,087,438. A significant portion, 59%, of the County's revenue comes from property taxes. (See Figure A-3) 10% came from charges for services, 15% came from sales tax and 9.5% from operating and capital grants.

The total cost of all programs and services was \$22,053,603; 30% of these costs are for law enforcement services.

### Governmental Activities

- Property tax and sales taxes combined comprise 74% of all County revenues. Each County in Texas sets its sales tax rates within parameters established by the State.
- Property tax rates decreased by 0.5% and valuations increased 0.6 percent. The increase in values created an increase of tax revenues to \$13,104,510.
- Certificates of Obligations were issued in 2017 for \$2,550,000 for capital projects and capital assets.

**Table A-2**  
Changes in County's Net Position

	Governmental Activities	
	2017	2016
Revenues :		
Program Revenues :		
Charges for Services	\$2,296,629	\$2,734,662
Operating Grants and Contributions	878,068	750,017
Capital Grants and Contributions	1,241,733	--
General Revenues:		
Taxes	16,323,389	16,240,174
Grants and Contributions Not Restricted to Specific Program	1,090,505	1,324,691
Unrestricted Investment Earnings	134,019	89,760
Gain on Sale of Capitalized Assets	--	31,794
Miscellaneous	123,095	51,808
Total Revenues	<u>22,087,438</u>	<u>21,222,906</u>
Program Expenses:		
General Administration	2,973,759	3,030,994
Financial Administration	1,312,761	1,218,885
Judicial	1,888,170	1,760,545
Legal	838,318	804,017
Election	225,229	241,200
Public Safety	6,525,264	6,238,099
Emergency Mgt.	79,193	59,910
Public Welfare	2,428,172	2,702,997
Public Transportation	4,634,780	4,890,101
Conservation and Agriculture	117,103	106,007
Public Facilities	918,208	928,830
Interest on Long-Term Debt	112,646	81,490
Total Expenses	<u>22,053,603</u>	<u>22,063,075</u>
Special and Extraordinary Items:		
Special Item Outflow	--	--
Change in Net Position	33,835	(840,169)
Net Position, October 1	32,165,516	33,215,899
Prior Period Adjustment	37,690	(210,212)
Adjusted Net Position, October 1	<u>32,203,206</u>	<u>33,005,687</u>
Net Position, September 30	<u>\$32,237,041</u>	<u>\$32,165,518</u>

The Table A-3 presents the cost of each of the County's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$22,053,603.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$13,104,510.
- Some of the cost was paid by those who directly benefited from the programs \$2,269,629, or

- By grants and contributions of \$2,119,801.

**Table A-3**  
Net Cost of Selected County Functions

	Total Cost of Services		Net Cost of Services	Change
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General administration	\$2,973,759	\$3,030,994	(\$2,370,626)	(\$2,519,900)
Public safety	\$6,525,264	\$6,238,099	(\$6,355,996)	(\$5,872,737)
Public welfare	\$2,428,172	\$2,702,997	(\$2,338,074)	(\$2,564,106)
Public transportation	\$4,634,780	\$4,890,101	(\$2,307,441)	(\$3,730,189)

## FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

Lamar County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The general governmental funds are reported in the General, Special Revenue, Debt Service, and Capital Project funds. The focus of Lamar County's governmental funds is to provide information on a near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Lamar County's annual financing and budgeting requirements. In particular, unassigned fund balances may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

Key factors that enable the County to maintain a stable level of fund balance are as follows:

- Total revenues from property taxes, increased over prior year amounts by \$95,777. The increase was due to new properties added to the tax roll this year. Sales tax revenues and fees, fines, and intergovernmental revenue remained mostly unchanged. Miscellaneous revenue increased. Overall, these changes lead total revenues this year to be slightly higher than that of the prior year.
- Expenditures in governmental funds increased \$1,980,730 (9%) from prior year totals. The primary area of increased expenditures was in judicial, public safety, and capital outlay.

**General Fund.** The general fund is the chief operating fund of Lamar County. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,333,769, while total fund balance reached \$12,005,533. 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 fund balance represents 24% of total general fund expenditures and total fund balance represents 88% of the same amount. The County has adopted a policy of maintaining a minimum fund balance to be used for unanticipated needs. A Fund Balance Policy adopted by the Commissioner's Court in 2011 states that the minimum level shall be approximately 25% of budgeted expenditures. The County considers a balance of less than 20% as a cause of concern and an unassigned fund balance of more than 35% as surplus for one-time expenditures that are nonrecurring in nature, capital projects, and/or to reduce the tax levy requirements.

The fund balance of Lamar County's general fund has increased by \$909,023 during the current fiscal year. An increase in fines, interest, and miscellaneous revenues were the main factors behind the net increased revenues compared to the prior year. In addition, expenditures were significantly less than budgeted amounts. Conservative spending across many departments, including public safety, resulted in lower than budgeted operational costs.

**Road and Bridge Fund.** The Road and Bridge fund balance totaled \$1,117,929, a decrease of \$275,335. The main factor is the increase in capital outlay expense.

**Debt Service Fund.** The Debt Service Fund accumulates resources for the payment of general long-term debt principal, interest, and related costs. This fund does not maintain an unassigned fund balance; however, the fund has no positive fund balance for the current year.

### General Fund Budgetary Highlights

Over the course of the year, the County revised its budget fourteen times due to the receipt of unexpected revenues. Differences between original budget and the final amended budget in the general fund for expenses were minimal (a \$98,714 increase in appropriations), and were primarily the following:

- Appropriations for public safety
- Appropriations for general administration
- Appropriations for public facilities

Even with these adjustments, actual expenditures were \$1,076,968 below final budget amounts. The most significant positive variance resulted from operating costs in public safety. Personnel cost remained down in criminal detention due to high turnover rate, along with a lower fuel costs and newer vehicles resulting in less cost to operate and maintain public safety related vehicles.

On the other hand, resources available were \$547,848 above the final budgeted amount. As noted earlier:

- Property tax revenues increased above budgeted amounts due to collecting more than the 97% the County budgets to collect.
- Sales tax revenues increased above budgeted amounts due to collections remaining stable and the conservative approach the County uses to estimate revenue.
- Fees of office, intergovernmental receipts, interest, and miscellaneous revenues also contributed to this increase over the budgeted revenue amount.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2017, the County had invested \$54,464,448 in a broad range of capital assets, including land, equipment, buildings, vehicles, and infrastructure (See Table A-4). This amount represents a net increase (including additions and deductions) of \$2,287,025 or 4.4 percent from last year. This was mainly due to new equipment and construction in progress.

**Table A-4**  
County's Capital Assets

	Governmental	
	Activities	
	<u>2017</u>	<u>2016</u>
Land	\$ 732,602	\$ 732,602
Construction in Progress	1,097,636	58,692
Buildings and improvements	21,037,616	21,030,616
Vehicles and equipment	10,640,851	9,414,770
Infrastructure	20,955,743	20,940,743
Totals at historical cost	54,464,448	52,177,423
Total accumulated depreciation	<u>(29,740,001)</u>	<u>(28,886,149)</u>
Net capital assets	<u>\$24,724,44</u>	<u>\$ 23,291,274</u>

The County's fiscal year 2017-18 capital budget projects spending \$3,163,385 for capital projects, principally to do HVAC upgrades and restoration work in county buildings, along with the purchase of additional equipment. More detailed information about the County's capital assets is presented in Note D of the notes to the financial statements.

**Long Term Debt**

At year-end the County had \$5,304,193 in bonds and notes outstanding as shown in Table A-5. More detailed information about the County's debt is presented in Note G in the notes to the financial statements.

**Table A-5**  
County's Long Term Debt

	<u>2017</u>	<u>2016</u>
Bonds payable	\$4,919,264	\$2,904,264
Compensated absences	384,929	275,848
Total long-term debt	<u>\$5,304,193</u>	<u>\$3,180,112</u>

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

During the current fiscal year, unassigned fund balance in the general fund decreased to \$5,047,827. Lamar County appropriated \$879,936 of this amount for spending in the 2017-18 fiscal year budget. In the 2017-2018 general fund, expenditures are budgeted to rise 1.4% to \$14,965,799. The increase is primarily due to increased operating costs and equipment. Employees received a 3% pay raise for the 2017-18 fiscal year. These following indicators were taken into account when adopting the general fund budget for 2017-18.

- Appraised value used for the 2017-18 budget preparation is up \$102,439,198, or 3%.
- General operating fund spending increases in the 2017-18 budget from \$14,763,244 to \$14,965,799. This is a 1.4% increase.

If these estimates are realized, the County's budgetary general fund balance is expected to see a decrease by the close of 2018.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Lamar County Auditor's Office.

*Basic Financial Statements*

**LAMAR COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Assets:	
<i>Cash and cash equivalents</i>	\$ 16,920,960
<i>Investments</i>	36,941
Receivables ( net of allowances for uncollectibles):	
<i>Interest</i>	12,085
<i>Taxes</i>	1,335,487
<i>Accounts</i>	1,135,650
<i>Due from other governments</i>	610,878
<i>Inventories</i>	176,025
<i>Prepaid Insurance</i>	34,051
<i>Capital assets ( net, where applicable, of accumulated depreciation)</i>	
<i>Land</i>	732,602
<i>Construction in progress</i>	1,097,636
<i>Buildings</i>	10,178,076
<i>Equipment</i>	4,104,748
<i>Infrastructure - Roads and Bridges</i>	8,611,385
Total Assets	<u>44,986,524</u>
Deferred Outflows of Resources:	
Deferred Outflows of Resources	3,022,059
Total Deferred Outflows of Resources	<u>3,022,059</u>
<b>LIABILITIES</b>	
Liabilities:	
<i>Accounts payable &amp; Accrued expenditures</i>	1,017,124
Noncurrent Liabilities:	
<i>Due Within One Year</i>	545,000
<i>Due in More than One Year</i>	8,361,667
<i>Compensated Absences Payable</i>	384,929
<i>Unamortized Premium on Bonds</i>	104,846
<i>Net Pension Liability</i>	4,906,349
Total Liabilities	<u>15,319,915</u>
Deferred Inflows of Resources:	
Deferred Inflows of Resources - Pension	451,627
Total Deferred Inflows of Resources	<u>451,627</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	21,549,968
Restricted For:	
State and Federal Programs	88,263
Capital Projects	3,045,467
Indigent Care	242,850
Records Management	899,867
Judicial	220,553
Other Purposes	2,851,218
Unrestricted	3,338,855
Total Net Position	<u>\$ 32,237,041</u>

The accompanying notes are an integral part of this statement.

**LAMAR COUNTY, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Administration	\$ 2,973,759	\$ 582,425	\$ 20,708	\$ --	\$ (2,370,626)
Financial Administration	1,312,761	139,998	--	--	(1,172,763)
Judicial	1,888,170	443,331	99,538	--	(1,345,301)
Legal	838,318	34,062	76,518	--	(727,738)
Elections	225,229	--	202,046	--	(23,183)
Public Safety	6,525,264	103,367	65,901	--	(6,355,996)
Emergency Management	79,193	--	231,099	--	151,906
Public Welfare	2,428,172	--	90,098	--	(2,338,074)
Public Transportation	4,634,780	993,446	92,160	1,241,733	(2,307,441)
Conservation and Agriculture	117,103	--	--	--	(117,103)
Public Facilities	918,208	--	--	--	(918,208)
Interest on Long-Term Debt	112,646	--	--	--	(112,646)
Total Primary Government	<u>\$ 22,053,603</u>	<u>\$ 2,296,629</u>	<u>\$ 878,068</u>	<u>\$ 1,241,733</u>	<u>(17,637,173)</u>
General Revenues:					
Taxes					
Property Taxes					13,104,510
Sales Taxes					3,218,879
Grants and Contributions Not Restricted to Specific Programs					1,090,505
Unrestricted Investment Earnings					134,019
Miscellaneous					123,095
Total General Revenues					<u>17,671,008</u>
Change in Net Assets					33,835
Net Position - Beginning					32,165,516
Prior Period Adjustment (Note P)					37,690
Net Position - Beginning, as Restated					<u>32,203,206</u>
Net Assets - Ending					<u>\$ 32,237,041</u>

The accompanying notes are an integral part of this statement.

## LAMAR COUNTY, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2017

	General Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Assets:</b>				
<i>Cash and cash equivalents</i>	\$ 11,611,562	\$ 1,204,006	\$ 4,105,393	\$ 16,920,961
<i>Investments</i>	32,984	877	3,080	36,941
Receivables ( net of allowances for uncollectibles):				
<i>Interest</i>	11,365	720	--	12,085
<i>Taxes</i>	927,549	228,275	179,663	1,335,487
<i>Accounts</i>	834,098	301,552	--	1,135,650
<i>Due from other funds</i>	46,196	--	2,163	48,359
<i>Due from other governments</i>	555,849	--	55,029	610,878
<i>Inventories</i>	--	168,402	7,623	176,025
<i>Prepaid Insurance</i>	34,051	--	--	34,051
Total Assets	<u>14,053,654</u>	<u>1,903,832</u>	<u>4,352,951</u>	<u>20,310,437</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
<i>Accounts Payable &amp; Accrued Expenditures</i>	\$ 321,417	\$ 266,062	\$ 423,140	\$ 1,010,619
<i>Due to Other Funds</i>	2,163	--	46,195	48,358
Total Liabilities	<u>323,580</u>	<u>266,062</u>	<u>469,335</u>	<u>1,058,977</u>
Deferred Inflows of Resources:				
<i>Deferred Inflows of Resources-Property Tax</i>	927,548	228,274	179,663	1,335,485
<i>Deferred Inflows of Resources</i>	796,993	291,567	--	1,088,560
Total Deferred Inflows of Resources	<u>1,724,541</u>	<u>519,841</u>	<u>179,663</u>	<u>2,424,045</u>
Fund Balances:				
Nonspendable Fund Balances:				
<i>Inventories</i>	--	168,402	7,623	176,025
<i>Prepaid Expenses</i>	34,051	--	--	34,051
Restricted Fund Balances:				
<i>Federal/State Funds Grant Restrictions</i>	--	--	104,279	104,279
<i>Other Restrictions of Fund Balance</i>	--	949,527	3,553,756	4,503,283
Committed Fund Balances:				
<i>OPEB Obligations</i>	3,660,169	--	--	3,660,169
<i>SURRMA Interlocal Coop Agreement</i>	707,864	--	--	707,864
<i>Other Committed Fund Balance</i>	--	--	38,295	38,295
<i>Assigned</i>	2,555,622	--	--	2,555,622
<i>Unassigned</i>	5,047,827	--	--	5,047,827
Total Fund Balances	<u>12,005,533</u>	<u>1,117,929</u>	<u>3,703,953</u>	<u>16,827,415</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,053,654</u>	<u>\$ 1,903,832</u>	<u>\$ 4,352,951</u>	<u>\$ 20,310,437</u>

**LAMAR COUNTY, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2017

Total fund balances - governmental funds balance sheet	\$ 16,827,415
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	24,724,447
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,335,485
Payables for bond principal which are not due in the current period are not reported in the funds.	(4,919,264)
Payables for bond interest which are not due in the current period are not reported in the funds.	(6,505)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(384,929)
Accrued OPEB (Other Post Employment Benefits) obligations are not due and payable in the current period are not reported in the funds.	(3,660,169)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	1,088,559
Recognition of the net pension liability is not reported in the funds.	(4,906,349)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(451,626)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	3,022,059
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(327,234)
Bond premiums are amortized in the SNA but not in the funds.	<u>(104,848)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 32,237,041</u>

The accompanying notes are an integral part of this statement.

**LAMAR COUNTY, TEXAS**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>				
<i>Property Taxes</i>	\$ 9,089,985	\$ 2,237,089	\$ 1,771,800	\$ 13,098,874
<i>Other Taxes</i>	3,218,879	--	--	3,218,879
<i>Intergovernmental Receipts</i>	421,157	1,333,893	741,490	2,496,540
<i>Fees of Office</i>	1,354,808	866,048	355,617	2,576,473
<i>Fines</i>	221,852	127,398	--	349,250
<i>Interest</i>	112,015	6,149	15,855	134,019
<i>Miscellaneous</i>	303,644	19,028	389,214	711,886
Total revenues	<u>14,722,340</u>	<u>4,589,605</u>	<u>3,273,976</u>	<u>22,585,921</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<i>General Administration</i>	2,159,851	--	549,498	2,709,349
<i>Financial Administration</i>	1,172,181	--	--	1,172,181
<i>Judicial</i>	1,661,468	--	74,246	1,735,714
<i>Legal</i>	682,261	--	111,979	794,240
<i>Elections</i>	217,972	--	--	217,972
<i>Public Safety</i>	5,514,117	--	367,529	5,881,646
<i>Public Welfare</i>	1,250,365	--	1,165,682	2,416,047
<i>Public Transportation</i>	--	3,544,984	39,924	3,584,908
<i>Conservation and Agriculture</i>	114,084	--	--	114,084
<i>Public Facilities</i>	687,914	--	--	687,914
<i>Emergency Management</i>	72,995	--	--	72,995
<i>Capital outlay</i>	112,164	1,607,504	1,227,362	2,947,030
<b>Debt:</b>				
<i>Principal</i>	--	--	535,000	535,000
<i>Interest and fees</i>	--	--	65,010	65,010
<i>Bond Issuance Costs</i>	--	--	44,300	44,300
Total expenditures	<u>13,645,372</u>	<u>5,152,488</u>	<u>4,180,530</u>	<u>22,978,390</u>
Excess (deficiency) of revenues (under) expenditures	1,076,968	(562,883)	(906,554)	(392,469)
<b>Other financing sources (uses):</b>				
<i>Transfers in</i>	--	115,000	80,946	195,946
<i>Transfers out</i>	(167,945)	(15,000)	(13,000)	(195,945)
<i>Proceeds from Sales of Capital Assets</i>	--	173,248	--	173,248
<i>Other Sources</i>	--	14,300	--	14,300
<i>Bond Proceeds</i>	--	--	2,550,000	2,550,000
Total other financing sources (uses)	<u>(167,945)</u>	<u>287,548</u>	<u>2,617,946</u>	<u>2,737,549</u>
Net change in fund balances	909,023	(275,335)	1,711,392	2,345,080
Fund balances/equity, October 1	11,096,510	1,393,264	1,954,871	14,444,645
Prior Period Adjustment (Note P)	--	--	37,690	37,690
Fund balances/equity, October 1, as Restated	11,096,510	1,393,264	1,992,561	14,482,335
Fund balances/equity, September 30	<u>\$ 12,005,533</u>	<u>\$ 1,117,929</u>	<u>\$ 3,703,953</u>	<u>\$ 16,827,415</u>

**LAMAR COUNTY, TEXAS**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017*

Net change in fund balances - total governmental funds	\$ 2,345,080
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,947,029
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,438,233)
The gain or loss on the sale of capital assets is not reported in the funds.	95,744
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(171,367)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	5,635
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	535,000
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(109,081)
OPEB benefits are reported as the amount earned in the SOA but as the amount paid in the funds.	(325,386)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	(616,043)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,550,000)
Bond premiums are reported in the funds but not in the SOA.	(47,636)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resources outflows. These contributions made after the measurement date of 12/31/2016 caused the change in the ending net position to increase.	723,979
Pension contributions made before the measurement date but after the previous measurement date were reversed from deferred resources of outflows and recorded as a current year expense.	(707,354)
The TCDRS net pension expense had to be recorded. The net pension expense decreased the change in net position .	<u>(653,532)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 33,835</u>

The accompanying notes are an integral part of this statement.

**LAMAR COUNTY, TEXAS**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2017

	<u>Agency Funds</u>
<b>ASSETS</b>	
Assets:	
<i>Cash and cash equivalents</i>	\$ 2,051,697
Total Assets	<u>\$ 2,051,697</u>
<b>LIABILITIES</b>	
Liabilities:	
<i>Accounts payable &amp; Accrued expenditures</i>	\$ 115,584
<i>Due to Other Agencies</i>	806,120
<i>Due to Beneficiaries</i>	<u>1,129,993</u>
Total Liabilities	<u>\$ 2,051,697</u>

The accompanying notes are an integral part of this statement.

**LAMAR COUNTY, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2017*

A. Summary of Significant Accounting Policies

The combined financial statements of Lamar County, Texas (the "County") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County
- the exclusion of the organization would result in misleading or incomplete financial statements
- the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the County
- the County or the component unit, is entitled to, or has ability to otherwise access, a majority of the economic resources received or held by the component unit.
- the economic resources received or held by component unit are significant to the County

The County also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units or its constituents; and 2) The County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County.

Based on these criteria, the County has one component unit, Lamar County Child Welfare Board (LCCWB). The LCCWB is reported in the operations and activities of the County as a blended component unit.

Certain significant governmental and other entities providing services within the County are administered by separate boards or commissioners, are not financially accountable to the Commissioners' Court, and are responsible for their own fiscal matters. Consequently, financial information for the following entities is not included within the scope of these financial statements:

Paris Junior College	City of Paris, Texas
Paris Independent School District	City of Deport, Texas
Prairiland Independent School District	City of Reno, Texas
Roxton Independent School District	City of Blossom, Texas
North Lamar Independent School District	Lamar County Appraisal District
Chisum Independent School District	City of Roxton, Texas

Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

**LAMAR COUNTY, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2017*

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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

Fund Financial Statements: The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. The County reports the following governmental funds:

General Fund-- This is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund.

Special Revenue Funds-- to account for the proceeds of specific revenue sources (other than trusts for individual, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specified purposes.

Capital Projects Funds-- to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals other than governments).

Debt Service Funds-- to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

The County reports the following major governmental funds:

General Fund-- This is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund.

Road and Bridge Fund-- This fund is used to account for monies designated for use in road and bridge work of the County. Primary sources of revenues for these special revenue funds included ad valorem taxes, automobile registration fees, County and District court fines, and state allotments of road funds. Revenues are used for public transportation maintenance and construction purposes.

In addition, the County reports the following fund types:

Fiduciary Funds: The county uses fiduciary funds to account for assets held in a trustee or agency capacity. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the County's own programs. Trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Agency funds report only assets and liabilities and therefore do not have a measurement focus; however, agency funds use the accrual basis of accounting to recognize receivables and payables.

**LAMAR COUNTY, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2017*

The fiduciary funds of the County consist only of agency funds.

Agency Funds-- The Court acts in a custodial capacity for individuals, firms, and State and Local governments. In its custodial capacity, agency funds have been created and include monies placed into the registry of the county and district courts on behalf of minors or other parties involved in litigation. Also, included are child support, restitution, forfeiture accounts, court costs, and auto registration fees collected on behalf of the State and Local governments.

b. Measurement Focus, Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

**LAMAR COUNTY, TEXAS**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017*

b. Inventories and Prepaid Items

Inventories on the balance sheet are stated at cost using the first in/ first out (FIFO) method. Inventory items are recorded as expenditures when they are consumed. The county records purchases of supplies as expenditures, utilizing the purchases method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Receivable and Payable Balances

The County believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental</u>	<u>Total</u>
Interest Receivable	\$ 11,365	\$ 720	\$ --	\$ 12,085
Delinquent Taxes Receivable	976,367	240,289	189,119	1,405,775
Less: Allowance for Uncollectibles	(48,818)	(12,014)	(9,456)	(70,288)
Net Delinquent Taxes Receivable	<u>927,549</u>	<u>228,275</u>	<u>179,663</u>	<u>1,335,487</u>
Accounts Receivable	2,589,214	1,465,088	--	4,054,302
Less: Allowance for Uncollectibles	(1,755,116)	(1,163,536)	--	(2,918,652)
Net Fines Receivable	<u>834,098</u>	<u>301,552</u>	<u>--</u>	<u>1,135,650</u>
Total Net Receivables	\$ <u>1,773,012</u>	\$ <u>530,547</u>	\$ <u>179,663</u>	\$ <u>2,483,222</u>

There are no significant receivables which are not scheduled for collection within one year of year end.

e. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County District Retirement System (TCDRS) and additions to or deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At September 30, 2017, the County reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	4,906,349

f. **Interfund Activity**

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. **Fund Balances - Governmental Funds**

Fund balances of the governmental funds are classified as follows:

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

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

Restricted for Federal and State Programs	\$	88,263
Restricted for Indigent Care		242,850
Restricted for Capital Projects		3,045,467
Restricted for Records Management		899,867
Restricted for Judicial		220,553
Restricted for Other Purposes		2,851,218
Total	\$	<u>7,348,218</u>

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

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

**Unassigned Fund Balance** - represents amounts which are unconstrained in that they may be spent for any

**LAMAR COUNTY, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2017*

purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

Minimum Fund Balance: Lamar County generally aims to maintain the following minimum fund balances:

General fund's unassigned fund balance of approximately twenty-five percent (25%) of budgeted expenditures for the fiscal year, to be used for unanticipated needs. The county considers a balance of less than twenty percent (20%) to be a cause of concern, barring unusual or deliberated circumstances. An unassigned fund balance of more than thirty-five percent (35%) will be considered as surplus for one-time expenditures that are nonrecurring in nature, capital projects, and /or to reduce the tax levy requirements.

Road and Bridge Fund: A fund balance between five (5%) to ten percent (10%) of budgeted expenditures to meet sufficient cash flow needs.

Debt Service Fund: A fund balance of no more than ten percent (10%) of the current period payments.

Replenishment of Minimum Fund Balance: At the completion of any fiscal year in which the fund balance is less than the minimum established by fund balance policy, the Commissioners' Court will establish a plan to restore this balance to the target level within a specified period of time. When developing this plan, the following items should be considered in establishing the appropriate time horizon:

- \* The budgetary reasons behind the fund balance targets
- \* Recovery from an extreme event
- \* Financial planning time horizon
- \* Long-term forecasts and economic conditions
- \* Milestones for gradual replacement
- \* External financing options

Implementation and Review: Upon adoption of this policy the Commissioner Court authorizes the County Auditor to establish standards and procedures which may be necessary for its implementation. The County Auditor shall review this policy at least annually and make any recommendations for change to the Commissioners Court.

h. **Compensated Absences**

General leave for the County includes both vacation and sick pay. General leave is based on an employee's length of employment and is earned ratably during the span of employment. Upon termination, employees are paid full value for any accrued general leave earned not to exceed forty hours of vacation or forty hours of sick leave converted as set forth by personnel policy.

i. **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

j. **Debt Related Intangibles**

Premiums and discounts are amortized over the life of the related bond using the interest method or the straight line method if the straight line method does not materially differ from the interest method.

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k. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

5. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

The County had no outstanding end-of-year encumbrances.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
Debt Service Fund	\$ 7,503	Noted

C. Deposits and Investments

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

Cash Deposits:

At September 30, 2017, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$18,972,660 and the bank balance was \$18,792,660. The County's cash deposits at September 30, 2017 and during the year ended September 30, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

**LAMAR COUNTY, TEXAS**  
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Investments:

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

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

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The County's investments at September 30, 2017 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	N/A	\$ <u>36,941</u>
Total Investments		\$ <u><u>36,941</u></u>

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

At September 30, 2017, the County's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows: AAA-m

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

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d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

The County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The County's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexPool

The County invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAm by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org).

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**D. Capital Assets**

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 732,602	\$ --	\$ --	\$ 732,602
Construction in progress	58,692	1,038,944	--	1,097,636
Total capital assets not being depreciated	<u>791,294</u>	<u>1,038,944</u>	<u>--</u>	<u>1,830,238</u>
<i>Capital assets being depreciated:</i>				
Road Network	20,940,743	15,000	--	20,955,743
Buildings and improvements	21,030,616	7,000	--	21,037,616
Equipment	9,414,770	2,116,085	890,004	10,640,851
Total capital assets being depreciated	<u>51,386,129</u>	<u>2,138,085</u>	<u>890,004</u>	<u>52,634,210</u>
Less accumulated depreciation for:				
Road Network	(11,855,696)	(488,661)	--	(12,344,357)
Buildings and improvements	(10,564,458)	(295,082)	--	(10,859,540)
Equipment	(6,465,995)	(654,490)	(584,381)	(6,536,104)
Total accumulated depreciation	<u>(28,886,149)</u>	<u>(1,438,233)</u>	<u>(584,381)</u>	<u>(29,740,001)</u>
Total capital assets being depreciated, net	<u>22,499,980</u>	<u>699,852</u>	<u>305,623</u>	<u>22,894,209</u>
Governmental activities capital assets, net	<u>\$ 23,291,274</u>	<u>\$ 1,738,796</u>	<u>\$ 305,623</u>	<u>\$ 24,724,447</u>

Depreciation was charged to functions as follows:

General Government	\$ 47,372
Judicial	2,152
Legal	161
Election	882
Finance	75,896
Facilities	218,766
Safety	219,897
Transportation	870,828
Welfare	2,279
	<u>\$ 1,438,233</u>

**E. Interfund Balances and Activity**

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	\$ 46,196	Short-term loans
Special Revenue Fund	General Fund	2,163	Short-term loans
	Total	<u>\$ 48,359</u>	

All amounts due are scheduled to be repaid within one year.

# LAMAR COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

### 2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Special Revenue Funds	\$ 67,945	Supplement other funds sources
General fund	Road and Bridge Fund	100,000	Supplement other funds sources
	Total	<u>\$ 167,945</u>	

### F. Short-Term Debt Activity

The County accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

### G. Long-Term Obligations

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

#### 1. Long-term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
<b>2011 Certificate of Obligation</b>					
Current Interest Bonds	\$ 80,000	\$ --	\$ 40,000	\$ 40,000	\$ 40,000
Capital Apprec Bonds	1,689,248	--	--	1,689,248	--
Premium Capital Apprec bonds	70,016	--	--	70,016	--
2012 Tax Refunding Bonds	1,065,000	--	485,000	580,000	495,000
2017 Certificate of Obligation	--	2,550,000	10,000	2,540,000	10,000
Total	<u>2,904,264</u>	<u>2,550,000</u>	<u>535,000</u>	<u>4,919,264</u>	<u>545,000</u>
Accum Accretion CAB '11	241,391	55,540	--	296,931	--
Accum Accretion Prem CAB '11	24,564	5,738	--	30,303	--
Premium CAB Series 2011	41,311	--	5,901	35,410	--
Prem Current Interest Bd '11	1,009	--	504	505	--
Premium 2012 Refunding Bds	80,420	--	11,489	68,931	--
	<u>388,695</u>	<u>61,278</u>	<u>17,894</u>	<u>432,080</u>	<u>--</u>
Amount Payable Under					
Compensated absences *	275,848	475,412	366,331	384,929	384,929
OPEB Obligations *	3,334,784	600,293	274,908	3,660,169	--
Net Pension Liability	4,880,023	4,242,321	4,215,995	4,906,349	--
Total	<u>8,490,655</u>	<u>5,318,026</u>	<u>4,857,234</u>	<u>8,951,447</u>	<u>384,929</u>
Total governmental activities	<u>\$ 11,783,614</u>	<u>\$ 7,929,304</u>	<u>\$ 5,410,128</u>	<u>\$ 14,302,791</u>	<u>\$ 929,929</u>

\* Other long-term liabilities

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The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General
OPEB Obligations	Governmental	General

2. Debt Service Requirements

Year Ending September 30,	Certificate of Obligations 2011		
	Principal	Interest	Total
2018	\$ 40,000	\$ 800	\$ 40,800
2019	457,545	92,455	550,000
2020	431,651	118,349	550,000
2021	410,278	139,722	550,000
2022	389,774	160,226	550,000
2023	70,016	139,984	210,000
Totals	<u>\$ 1,799,264</u>	<u>\$ 651,536</u>	<u>\$ 2,450,800</u>

On November 15, 2011, the County issued Lamar County, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011, they were issued in part as Current Interest Certificates of \$240,000 and Capital Appreciation Certificates of \$1,759,264. Interest on the Current Interest Certificates will be payable on March 1 and September 1 of each year. Proceeds from the sale of the certificates will be used for the purpose of paying contractual obligations of the County to be incurred for making permanent public improvements for the County's Criminal Justice System, County roads, equipment for the Sheriff's Department, and improving and equipping the County courthouse and Courthouse Annex facilities. Interest on Series 2011 bonds is paid on current interest bonds at a rate of 2% and the interest on the capital appreciation certificates at a variable rate of 2.4% to 3.44%.

Year Ending September 30,	Tax Refunding Bonds 2012		
	Principal	Interest	Total
2018	\$ 495,000	\$ 14,925	\$ 509,925
2019	--	2,550	2,550
2020	--	2,550	2,550
2021	--	2,550	2,550
2022	--	2,550	2,550
2023	85,000	2,550	87,550
Totals	<u>\$ 580,000</u>	<u>\$ 27,675</u>	<u>\$ 607,675</u>

Year Ending September 30,	Certificate of Obligations 2017		
	Principal	Interest	Total
2018	\$ 10,000	\$ 65,024	\$ 75,024
2019	10,000	64,768	74,768
2020	10,000	64,512	74,512
2021	10,000	64,256	74,256
2022	10,000	64,000	74,000
2023	250,000	63,744	313,744
2024	540,000	57,344	597,344
2025	555,000	43,520	598,520
2026	565,000	29,312	594,312
2027	580,000	14,848	594,848
Totals	<u>\$ 2,540,000</u>	<u>\$ 531,328</u>	<u>\$ 3,071,328</u>

Limited Tax Refunding Bonds

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt", provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of September 30, 2017, outstanding balances of bond issues that have been refunded and defeased in-substance by placing

**LAMAR COUNTY, TEXAS**  
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existing assets and the proceeds of new bonds in an irrevocable trust to provide for future debt service payments are as follows:

Year Ending September 30, 2018	Certificates of Obligation, Series 2003		
	Principal	Interest	Total
	\$ 535,000	\$ 21,400	\$ 556,400
Totals	<u>\$ 535,000</u>	<u>\$ 21,400</u>	<u>\$ 556,400</u>

H. Risk Management

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Association of Counties ("TAC"). TAC is a self-funded pool operating as a common risk management and insurance program. The County pays an annual premium to TAC for its above insurance coverage. The agreement for the formation of TAC provides that TAC will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The County continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

I. Pension Plan

1. Plan Description The District provides pension, disability, and death benefits for all of its full-time employees through a statewide, agent multiple- employer, public-employee retirement system through the Texas County District Retirement System (the "TCDRS"). The system serves 738 actively participating counties and districts throughout Texas. Each employer has its own defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan. The TCDRS issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

2. Benefits Terms

- a. All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
- b. The plan provides retirement, disability and survivor benefits.
- c. 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 220%) and is then converted to an annuity.
- d. 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.
- e. Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.

3. Contributions

The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Lamar County contribution rate is based on the TCDRS funding policy adopted by the

**LAMAR COUNTY, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
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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 2016 and 2017 are as follows:

<u>Contribution Rates</u>	<u>2016</u>	<u>2017</u>
Employee	7%	7%
Employer	12.21%	12.32%
<u>Fiscal year contributions:</u>		
Employer	\$ 969,753	\$ 989,377

The most recent comprehensive annual financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

Membership Information

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	124
Inactive employees entitled to but not yet receiving benefits	119
Active employees	<u>195</u>
Total covered employees	438

4. Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The following are the key assumptions and methods used in this GASB analysis.

Actuarial assumptions:

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	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.0% per year
Salary Increases	3.5% Payroll growth for funding calculations (The payroll growth assumption is for the aggregate covered payroll of an employer.)

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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 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Investment Rate of Return 8.10%, net of investment expenses, including inflation

Cost-of-Living Adjustments Cost-of-Living Adjustments for Lamar 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.

Retirement Age Members who are eligible for service retirement are assumed to retire at the rates shown in chart below:

Age	Male	Female
40-44	4.5%	4.5%
50	9.0%	9.0%
55	11.0%	11.0%
60	14.0%	14.0%
65	30.0%	30.0%
70	22.0%	22.0%

Mortality  
 Depositing members The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

Service retirees, beneficiaries and non-depositing members The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.

Disabled retirees The RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two-year set-forward for females.

**Discount Rate**

The discount rate used to measure the total pension liability was 8.10%. The discount rate was determined using an alternative method of determining the sufficiency of the fiduciary net position in all future years. The alternative method reflects the following requirements:

- a. 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.
- b. Under the TCDRS Act, the County is legally required to make the contribution specified in the funding policy.

## LAMAR COUNTY, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

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- c. The County's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the County is still required to contribute at least the normal cost.
- d. 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 benefits in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments, and the municipal bond rate does not apply. This long-term assumed rate should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. A discount rate of 8.10% was used, which reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, and increases by 0.10% in order to be gross of administrative expenses. This rate of return on investments was determined by adding expected inflation to expected long-term real returns, and reflects expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC and are based on January 2017 information for a 7-10 year time horizon.

The long-term rate of return on pension plan investments is 8.10%. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown below are based on January 2017 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 - December 31, 2012 for more details.

Asset Class	Target Allocation	Geometric Real Rate of Return
Domestic Equity	13.5%	4.70%
Private Equity	16.00%	7.7%
Global Equities	1.50%	5.00%
International Equities-Developed Markets	10.00%	4.70%
International Equities - Emerging Markets	7.00%	5.70%
Investment - Grade Bonds	3.00%	.60%
High-Yield Bonds	3.00%	3.70%
Opportunistic Credit	2.00%	3.83%
Direct Lending	10.00%	8.15%
Distressed Debt	3.00%	6.70%
REIT Equities	2.00%	3.85%
Master Limited Partnerships	3.00%	5.60%
Private Real Estate Partnerships	6.00%	7.20%
Hedge Funds	20.00%	3.85%

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Increase (Decrease)		
	\$ Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	\$ 37,905,571	\$ 33,025,548	\$ 4,880,023
Changes for the year			
Service cost	1,170,681	--	1,170,681
Interest	3,045,080	--	3,045,080
Effect of plan changes	--	--	--
Effect of economic/demographic gains or losses	(228,202)	--	(228,202)
Changes of assumptions	--	--	--
Contributions - employer	--	972,762	(972,762)
Contributions - employee	--	560,589	(560,589)
Net investment income	--	2,446,067	(2,446,067)
Benefit payments	(1,657,723)	(1,657,723)	--
Refund of contributions	(149,337)	(149,337)	--
Administrative expense	--	(26,560)	26,560
Other changes	--	8,375	(8,375)
Net changes	\$ 2,180,499	\$ 2,154,173	\$ 26,326
Balance at 12/31/2016	\$ 40,086,070	\$ 35,179,721	\$ 4,906,349

Sensitivity Analysis

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Total pension liability	\$ 45,186,944	\$ 40,086,070	\$ 35,826,333
Fiduciary net position	35,179,721	35,179,721	35,179,721
County's net pension liability	\$ 10,007,223	\$ 4,906,349	\$ 646,612

Pension Plan Fiduciary Net Position

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

For the year ended September 30, 2017, the County recognized pension expense of \$1,626,294.

At September 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,666	\$ 451,627
Changes in actuarial assumptions	192,186	--
Difference between projected and actual investment earnings	2,098,228	--
Contributions subsequent to the measurement date	723,979	
Total	\$ 3,022,059	\$ 451,627

**LAMAR COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

The \$723,979 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec. 31:		
2018	\$	616,415
2019	\$	616,418
2020	\$	570,138
2021	\$	43,483
2022	\$	--
Thereafter	\$	--

**J. Health Care Coverage**

Beginning October 1, 2013, the County has health care coverage with Blue Cross Blue Shield of Texas. The Lamar County Employee Health Plan participants are fully insured. The County contributed up to \$726 per month per employee and dependents to the Plan. The County paid up to \$1,252 for retirees and their dependents. A total of \$1,697,676 was the County's portion of cost of the health insurance for the fiscal year September 30, 2017. Employees at their option, authorized payroll withholdings for contributions for dependents. All contributions were paid to the administrator of the Plan. The contract between the County and the Plan is renewable October 1st, of each year, and the annual financial statements have been filed with the Texas State Board of Insurance. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by Contractual agreement.

**K. Commitments and Contingencies**

**1. Contingencies**

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**2. Litigation**

No reportable litigation was pending against the County at September 30, 2017.

**L. Subsequent Events**

Management has evaluated subsequent events through June 6, 2018, and noted no subsequent events to disclose.

**M. Sulphur River Region Mobility Interlocal**

Lamar County, Texas entered into an Interlocal Cooperative Agreement with the Sulphur River Region Mobility Authority (the "Authority") effective October 10, 2012, and with other governmental entities in the area for upgrading and widening State Highway 24. The Authority has secured a State Infrastructure Bank Loan (SIB) for the project with Lamar County's share of the local participation being \$1,426,813. The County's payment obligations pursuant to the SIB Loans shall become due and payable not later than March 29 each year in accordance with the schedule below at a rate of 3.68% per annum. Agreement such as this are not reported as debt in the financials, but appropriately disclosed in the notes to the financial statements in accordance with Governmental Accounting Standards.

**LAMAR COUNTY, TEXAS**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED SEPTEMBER 30, 2017*

Years of Stated Maturity	Principal Amounts (\$)	Interest Amounts (\$)	Interest Rates (%)
2018	\$ 68,993	\$ 31,834	3.68%
2019	81,113	19,714	3.68%
2020	84,098	16,729	3.68%
2021	87,193	13,634	3.68%
2022	90,401	10,426	3.68%
2023	93,728	7,099	3.68%
2024	97,177	3,650	3.68%
2025	2,001	74	3.68%
	<u>\$ 604,704</u>	<u>\$ 103,160</u>	

**N. OPEB (Other Post Employment Benefits)**

The County sponsors and administers a single-employer defined benefit health care plan. The Plan pays a portion of health care insurance premiums for eligible retired employees. Retirement eligibility is determined based on the Texas County and District Retirement System (TCDRS) definition. Employees are eligible to retire at age 60 and above with 8 years of service in TCDRS, with 30 years service in TCDRS at any age, or when the sum of his or her age and years of service in TCDRS equals 75. Spouses and dependents are eligible for coverage. Coverage ceases upon reaching Medicare eligibility. The County Commissioners have the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available report.

The County elected to prospectively implement GASB Statement No. 45, Accounting and Financial Reporting Employers for Post employment Benefits Other than Pensions, beginning in fiscal year ending September 30, 2009.

**Funding Policy**

The County has adopted the pay-as-you-go, PAYGO, funding policy. The annual employer contributions in addition to the member contributions are equal to the benefits paid on behalf of the retirees. Retirees and dependents continue to pay the employee or dependent's share of the premium charged to members.

**Annual OPEB Cost and Net OPEB Obligation**

The County's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The annual OPEB cost for the fiscal year ending September 30, 2017, is as follows:

	09/30/2015	09/30/2016	09/30/2017
Annual Required Contribution	\$ 613,540	\$ 631,946	\$ 596,848
Interest on Net OPEB Obligation	113,267	132,233	133,391
Adjustment to Annual Required Contribution	<u>(104,941)</u>	<u>(122,513)</u>	<u>(129,946)</u>
Annual OPEB cost (expense) end of year	621,866	641,666	600,293
Net estimated employer contributions	<u>(200,399)</u>	<u>(245,400)</u>	<u>(274,908)</u>
Increase (decrease) in net OPEB Obligation (asset)	421,467	396,266	325,385
Net OPEB Obligation -- as of beginning of the year	\$ 2,517,051	\$ 2,938,518	\$ 3,334,784
Net OPEB Obligation (asset) -- as of end of year	\$ 2,938,518	\$ 3,334,784	\$ 3,660,169

**LAMAR COUNTY, TEXAS**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED SEPTEMBER 30, 2017*

The County's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2017, and the preceding two fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Amount Contributed	Percent Contributed	Net OPEB Obligation
September 30, 2015	\$ 621,866	\$ 200,399	32.2%	\$ 2,938,518
September 30, 2016	\$ 641,666	\$ 245,400	38.2%	\$ 3,334,784
September 30, 2017	\$ 600,293	\$ 274,908	45.8%	\$ 3,660,169

**Funding Status and Funding Progress**

The funded status of the County's retiree health care plan, under GASB No. 45 as of September 30, 2016, is as follows:

Actuarial Valuation Date as of	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b/a)/c)
September 30, 2012	--	\$5,680,959	\$5,680,959	--	\$5,431,569	104.6%
2013	--	\$4,639,931	\$4,639,931	--	\$6,351,411	73.1%
2014	--	\$6,136,083	\$6,136,083	--	\$6,249,714	98.2%

Under the reporting parameters, the County's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$6,136,083 at September 30, 2016. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 98.2%.

**Actuarial Methods and Assumptions**

The Individual Entry Age Normal Cost Method is used to calculate the GASB ARC for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

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

**Actuarial Methods and Assumptions**

Inflation Rate	2.50% per annum
Investment rate of return	4.0% net of expenses
Actuarial cost method	Individual Entry Age Normal Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Salary growth rate and inflation	3.0% per annum
Medical trend	Initial rate of 7.30% declining to an ultimate rate of 5.5% after 8 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are

## LAMAR COUNTY, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### O. New Reporting Standards

The County is currently reviewing the following GASB Statements and has not determined the impact these statements will have on its financial statements:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is effective for the County beginning in fiscal year 2018. The scope of this statement addresses accounting and financial reporting for other postemployment benefits that are provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This statement replaces the requirements of GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employers Plans.

GASB Statement No. 81, Irrevocable Split-Interest Agreements, is effective for the County in fiscal year 2018. This statement requires a government that receives resources pursuant to an irrevocable split-interest agreement to recognize assets, liabilities, revenues, and deferred inflows at the inception of the agreement. Revenue should be recognized when the resources become applicable to the reporting period.

GASB Statement No. 82, Pension Issues - An amendment of GASB Statements No. 67, 68, and No. 73. This statement addresses issues regarding: the presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. Certain provisions from this statement are applicable to fiscal year 2017 while other provisions are applicable to fiscal year 2018.

GASB Statement No. 83, Certain Asset Retirement Obligations, is effective for the County in fiscal year 2019. This statement establishes the criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for asset retirements. In addition, disclosures related to the nature of the asset retirement obligations, the assumptions used in the estimates of the liabilities, and the estimated remaining useful life of the tangible capital assets will be required.

GASB Statement No. 84, Fiduciary Activities, is effective for the County in fiscal year 2020. This statement establishes criteria for identifying activities of all state and local governments. Also presented are criteria for types of fiduciary funds and guidelines for recognizing liabilities in fiduciary funds.

GASB Statement No. 85, Omnibus 2017. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. It is effective for the County in fiscal year 2018.

GASB Statement No. 86, Certain Debt Extinguishment Issues, is effective for the County in fiscal year 2018. This statement provides guidance for transactions in which cash and other monetary assets acquired with only existing resources-other than refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. It also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to the financial statements for debt that is defeased in substance.

GASB Statement No. 87, Leases. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of the contract. It also establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. This statement is effective for the County in fiscal year 2021.

**LAMAR COUNTY, TEXAS**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2017*

P. Prior Period Adjustment

The County determined that \$37,690 of due to beneficiaries in the Special Revenue Fund Juvenile Probation Special was actually revenues from fees collected in prior years. This removed the due to beneficiaries from the fund and increased the Committed Fund Balance.

### *Required Supplementary Information*

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

**LAMAR COUNTY, TEXAS**

EXHIBIT B-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Property Taxes</i>	\$ 8,988,779	\$ 8,988,779	\$ 9,089,985	\$ 101,206
<i>Other Taxes</i>	3,100,000	3,100,000	3,218,879	118,879
<i>Intergovernmental Receipts</i>	356,500	356,500	421,157	64,657
<i>Fees of Office</i>	1,173,400	1,173,400	1,354,808	181,408
<i>Fines</i>	230,000	230,000	221,852	(8,148)
<i>Interest</i>	56,000	56,000	112,015	56,015
<i>Miscellaneous</i>	171,200	269,813	303,644	33,831
Total revenues	<u>14,075,879</u>	<u>14,174,492</u>	<u>14,722,340</u>	<u>547,848</u>
Expenditures:				
Current:				
<i>General Administration</i>	2,265,420	2,306,475	2,159,851	146,624
<i>Financial Administration</i>	1,280,272	1,280,295	1,172,181	108,114
<i>Judicial</i>	1,726,673	1,726,657	1,661,468	65,189
<i>Legal</i>	751,282	751,282	682,261	69,021
<i>Elections</i>	232,111	232,111	217,972	14,139
<i>Public Safety</i>	5,944,955	5,996,895	5,514,117	482,778
<i>Public Welfare</i>	1,480,651	1,480,651	1,250,365	230,286
<i>Conservation and Agriculture</i>	120,313	120,313	114,084	6,229
<i>Public Facilities</i>	866,555	872,074	687,914	184,160
<i>Emergency Management</i>	83,886	84,063	72,995	11,068
<i>Capital outlay</i>	112,164	112,164	112,164	--
Total expenditures	<u>14,864,282</u>	<u>14,962,980</u>	<u>13,645,372</u>	<u>1,317,608</u>
Excess (deficiency) of revenues (under) expenditures	(788,403)	(788,488)	1,076,968	1,865,456
Other financing sources (uses):				
<i>Transfers out</i>	<u>(223,242)</u>	<u>(223,242)</u>	<u>(167,945)</u>	<u>(55,297)</u>
Total other financing sources (uses)	<u>(223,242)</u>	<u>(223,242)</u>	<u>(167,945)</u>	<u>(55,297)</u>
Net change in fund balances	(1,011,645)	(1,011,730)	909,023	1,920,753
Fund balances/equity, October 1	11,096,896	11,096,896	11,096,510	(386)
Fund balances/equity, September 30	<u>\$ 10,085,251</u>	<u>\$ 10,085,166</u>	<u>\$ 12,005,533</u>	<u>\$ 1,920,367</u>

**LAMAR COUNTY, TEXAS**  
**ROAD & BRIDGE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Property Taxes</i>	\$ 2,211,884	\$ 2,211,884	\$ 2,237,089	\$ 25,205
<i>Intergovernmental Receipts</i>	869,602	1,339,215	1,333,893	(5,322)
<i>Fees of Office</i>	912,000	912,000	866,048	(45,952)
<i>Fines</i>	136,000	136,000	127,398	(8,602)
<i>Interest</i>	4,500	4,500	6,149	1,649
<i>Miscellaneous</i>	14,000	26,167	19,028	(7,139)
Total revenues	<u>4,147,986</u>	<u>4,629,766</u>	<u>4,589,605</u>	<u>(40,161)</u>
Expenditures:				
Current:				
<i>Public Transportation</i>	4,473,495	4,940,275	3,544,984	1,395,291
<i>Capital outlay</i>	<u>1,607,504</u>	<u>1,607,504</u>	<u>1,607,504</u>	<u>--</u>
Total expenditures	<u>6,080,999</u>	<u>6,547,779</u>	<u>5,152,488</u>	<u>1,395,291</u>
Excess (deficiency) of revenues (under) expenditures	(1,933,013)	(1,918,013)	(562,883)	1,355,130
Other financing sources (uses):				
<i>Transfers in</i>	100,000	100,000	115,000	15,000
<i>Transfers out</i>	--	(15,000)	(15,000)	--
<i>Proceeds from Sales of Capital Assets</i>	160,000	160,000	173,248	13,248
<i>Other Sources</i>	<u>--</u>	<u>--</u>	<u>14,300</u>	<u>14,300</u>
Total other financing sources (uses)	<u>260,000</u>	<u>245,000</u>	<u>287,548</u>	<u>42,548</u>
Net change in fund balances	(1,673,013)	(1,673,013)	(275,335)	1,397,678
Fund balances/equity, October 1	1,393,264	1,393,264	1,393,264	--
Fund balances/equity, September 30	<u>\$ (279,749)</u>	<u>\$ (279,749)</u>	<u>\$ 1,117,929</u>	<u>\$ 1,397,678</u>

## LAMAR COUNTY, TEXAS

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (Budget) FOR THE YEAR ENDED SEPTEMBER 30, 2017

#### Budgetary Data

The official budget was prepared for adoption for the General Fund and the Road and Bridge Fund, which is included within the Special Revenue Funds. The following procedures are followed in establishing the budgetary data reflected in financial statements.

- a. Prior to beginning of the fiscal year, the County prepares a budget for the next succeeding fiscal year beginning. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Commissioners' Court is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must have been given.
- c. Prior to start of the fiscal year, the budget is legally enacted through passage of a resolution by the Commissioner's Court.

Once a budget is approved, it can be amended only by approval of a majority of the Commissioners' Court. Amendments are presented to the Commissioners' Court at its regular meetings. Each amendment must have the Commissioners' Court approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Commissioners' Court, and are not made after fiscal year end. During the year, the budget was amended as necessary. There were no significant amendments passed during the fiscal year. The budget is prepared on the modified accrual basis.

The legal level of budgetary control (level at which the governing body must approve any over expenditure) is at the category level. Categories are defined as: Personal Services, Supplies & Materials, Other Services & Charges, and Capital Outlay. Budget to actual comparisons are presented in the financial statements at the function level; however, a budget to actual comparison by category is available from the Lamar County Auditor's office at 119 North Main Street, Room 202, Paris, Texas 75462.

Excess of Expenditures Over Appropriations in Major Governmental Funds: The County expenditures did not exceed appropriations in the major governmental funds.

The following funds had legally adopted budgets:

General	Alternative Dispute Resolution
Road and Bridge	District Clerk Records Management
Estray and Jury	Victims Coordinator Grant
State Aid Grant	State Homeland Security Grant
Lateral Road	Juvenile Probation Title IV
Law Library	Justice Court Technology
County Clerks Records Management	Justice Assistance Grant
Indigent Health Care	Juvenile Delinquency Prevention
Court House Security	Permanent Improvement
County Records Management	Commitment Reduction Grant
County Clerk Records Archive	Texas Parks & Wildlife Trails Fund Grant
District Clerk Records Technology	Judicial District Fund
Court Record Preservation	County and District Court Technology
Mental Health Services Grant	Certificates of Obligation 2011
TXDOT TAP Lamar Chaparral Trail Fund	Certificates of Obligation 2012
Flexible Spending Fund	

Budgets for the funds listed above are adopted on a basis consistent with generally accepted accounting principles (GAAP) on the modified accrual basis of accounting.

Lamar County, Texas  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Plan Year Ended December 31,		
	2016	2015	2014
<b>Total Pension Liability</b>			
Service cost	\$ 1,170,681	\$ 1,062,160	\$ 1,027,821
Interest (on the total pension liability)	3,045,080	2,896,381	2,706,809
Changes of benefit terms	-	(198,814)	-
Difference between expected and actual experience	(228,202)	(560,951)	19,162
Change of assumptions	-	384,372	-
Benefit payments, including refunds of employee contributions	(1,807,060)	(1,615,856)	(1,430,157)
<b>Net Change in Total Pension Liability</b>	<u>2,180,499</u>	<u>1,967,292</u>	<u>2,323,635</u>
<b>Total Pension Liability - Beginning</b>	<u>37,905,571</u>	<u>35,938,279</u>	<u>33,614,644</u>
<b>Total Pension Liability - Ending (a)</b>	<u><u>\$ 40,086,070</u></u>	<u><u>\$ 37,905,571</u></u>	<u><u>\$ 35,938,279</u></u>
 <b>Plan Fiduciary Net Position</b>			
Contributions - employer	\$ 972,762	\$ 954,993	\$ 902,168
Contributions - employee	560,589	540,420	511,356
Net investment income	2,446,067	(193,371)	2,132,136
Benefit payments, including refunds of employee contributions	(1,807,060)	(1,615,856)	(1,430,157)
Administrative expense	(26,560)	(23,928)	(24,985)
Other	8,375	(109,588)	4,777
<b>Net Change in Plan Fiduciary Net Position</b>	<u>2,154,173</u>	<u>(447,330)</u>	<u>2,095,295</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>33,025,548</u>	<u>33,472,878</u>	<u>31,377,582</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u><u>\$ 35,179,721</u></u>	<u><u>\$ 33,025,548</u></u>	<u><u>\$ 33,472,877</u></u>
 <b>Net Pension Liability - Ending (a) - (b)</b>	<u><u>\$ 4,906,349</u></u>	<u><u>\$ 4,880,023</u></u>	<u><u>\$ 2,465,402</u></u>
 <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	87.76%	87.13%	93.14%
 <b>Covered Employee Payroll</b>	\$ 7,966,912	\$ 7,720,291	\$ 7,305,090
 <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>	61.58%	63.21%	33.75%

Lamar County, Texas  
 SCHEDULE OF CONTRIBUTIONS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Fiscal Year Ended September 30,		
	2017	2016	2015
Actuarially determined contribution	\$ 989,377	\$ 969,753	\$ 905,629
Contributions in relation to actuarially determined contribution	<u>(989,377)</u>	<u>(969,753)</u>	<u>(905,629)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,050,965	\$ 7,914,579	\$ 7,323,963
Contributions as a percentage of covered employee payroll	12.29%	12.25%	12.37%

Lamar County, Texas  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	1.8 years
Asset Valuation Method	5-yr smoothed market
Inflation	3.0%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.10%, net of investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
<b>Other Information:</b>	There were no benefit changes during the year.

Lamar County, Texas  
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POST EMPLOYMENT BENEFITS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

The funded status of the County's retiree health care plan, under GASB No. 45 as of September 30, 2016, is as follows:

Actuarial Valuation Date as of September 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b/a)/c)
2012	--	\$5,680,959	\$5,680,959	--	\$5,431,569	104.60%
2013	--	--	--	--	--	--
2014	--	\$4,639,931	\$4,639,931	--	\$6,351,411	73.10%
2015	--	--	--	--	--	--
2016	--	\$6,136,083	\$6,136,083	--	\$6,249,714	98.20%

Note: The above table is for GASB 45 disclosure reporting requirements effective Beginning with fiscal year 2013.  
 For additional information see Note N. OPEB (Other Post Employment Benefits)

### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

# Malnory, McNeal & Company, PC

## Certified Public Accountants

Mark W. Malnory, CPA  
Johnna W. McNeal, CPA  
Beverly Smith, CPA

Members of  
American Institute of Certified Public Accountants  
Texas Society of Certified Public Accountants  
AICPA Governmental Audit Quality Center

Elizabeth Hamm, CPA  
E. J. Musharbash, CPA  
Les S. Malnory, CPA

### Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

County Commissioners  
Lamar County, Texas  
119 North Main  
Paris, Texas 75460

Members of the County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar County, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise Lamar County, Texas' basic financial statements, and have issued our report thereon dated June 6, 2018.

#### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a material weakness.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lamar County, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Lamar County, Texas' Response to Findings**

Lamar County, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Lamar County, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

*Maloney, McNeal & Company PC*

Certified Public Accountants

June 6, 2018  
Paris, Texas

# Malnory, McNeal & Company, PC

## Certified Public Accountants

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Les S. Malnory, CPA

### Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

County Commissioners  
Lamar County, Texas  
119 North Main  
Paris, Texas 75460

Members of the County Commissioners:

#### **Report on Compliance for Each Major Federal Program**

We have audited the Lamar County, Texas's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Lamar County, Texas' major federal programs for the year ended September 30, 2017. Lamar County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lamar County, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lamar County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### ***Opinion on Each Major Federal Program***

In our opinion, the Lamar County, Texas complied, in all material respects, with the types of compliance requirement referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

## Report on Internal Control Over Compliance

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

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

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

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

*Maloney, McNeal & Company PC*

Certified Public Accountants

June 6, 2018  
Paris, Texas

**LAMAR COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. Summary of Auditor's Results**

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?  X  Yes      No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes  X  None Reported

Noncompliance material to financial statements noted?      Yes  X  No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified?      Yes  X  No

One or more significant deficiencies identified that are not considered to be material weaknesses?      Yes  X  None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?      Yes  X  No

Identification of major programs:

<u>CFDA Number(s)</u> 97.036	<u>Name of Federal Program or Cluster</u> Disaster Grants - Public Assistance (Presidentially Declared Disasters)
---------------------------------	---

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

Auditee qualified as low-risk auditee?      Yes  X  No

## LAMAR COUNTY, TEXAS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2017

#### **B. Financial Statement Findings**

##### **Finding: 2017-001**

###### **Criteria:**

Ongoing monitoring of the general ledger, its adjustments, balances, and the relationships between the many funds and offices of the County are crucial to proper financial reporting as well as the effort to prevent, detect, deter, and correct errors in the financial reporting.

###### **Condition:**

We noted a deficiency in internal control procedures related financial processes as well as to the month end and year end financial statement close. Significant adjusting entries were needed at year end to properly report the fiscal years activity and balances at September 30, 2017.

###### **Cause:**

The cause of the deficiency appears to be a lack of overall internal control procedures and deficiency in the application of governmental accounting standards along with insufficient month and year end financial general ledger monitoring and close.

###### **Effect:**

Significant adjustments were identified by the independent auditor as being necessary to report the financials in accordance with governmental accounting standards. Errors in the financial reporting were not identified timely in the normal course of County staff performing their assigned duties. Internal controls over general ledger adjusting entries both manual and system generated, bank reconciliations, general ledger review and close, as well as monitoring of financial transactions occurring within the offices of elected officials were not effectively designed or implemented.

###### **Views of elected officials:**

The County Auditor and the County Judge agree with the findings and recommendations and a plan of corrective action has been developed.

###### **Recommendation:**

We recommend the following:

1. Journal Entries: Controls be established on the posting and verification of monthly journal entries both recurring and non-recurring entries as well as manual and system generated. Entries should be well thought out with detailed description of the purpose of the adjustment and the expected result. Documentation should be attached and maintained that supports the amounts and purpose of the adjustment. Once an entry has been approved and posted to the general ledger, the ledger should be reviewed to assure the resulting balances are the desired balances.

## LAMAR COUNTY, TEXAS

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

2. Bank Reconciliations: Bank reconciliations should be performed monthly on each account for which the County is responsible and all activity should be posted monthly to the general ledger. All items on the bank reconciliation should be investigated and verified.
3. Accounting Software and General Ledger Management: The auditor's office should develop monthly, quarterly and annual review procedures that include manual analytics, spreadsheet
4. analytics and/or utilize the functions and capabilities of the general ledger management software to assist in the verification processes to determine the propriety of each funds financial reporting and that all balances and activity are appropriate. Funds should each be analyzed for both their individual characteristics as well as its relationship to other funds and the overall general ledger as a whole. Fund equity accounts should be monitored for inappropriate balances. Inter-fund transactions and related balances should be reconciled and verified monthly. Liability accounts such as accounts payable should be reconciled to the subsidiary detail to verify content and accuracy.
5. Federal Funding: The auditor's office should assign a staff member to perform internal audits of the financial accounting and compliance reporting for revenues and expenditures of federal grants. The auditor's office should provide guidance to departments involved in the expenditure of federal awards as to proper documentation related to each award.
6. Internal Audits of County Offices: The county Auditor's office should gain a detailed understanding of the systems in place at the various offices of the elected officials and should perform, at least annually, internal audits of each office.

**LAMAR COUNTY, TEXAS**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017*

C. Federal Award Findings and Questioned Costs

NONE



## COUNTY AUDITOR OF LAMAR COUNTY

### Summary Schedule of Prior Audit Findings

As a result of the material weaknesses in internal control which were identified during our external audit for the year ended September 30, 2016, Lamar County, Texas developed a plan of corrective action. Some of the corrective actions have been completed and some are in progress. Below is a report of our progress in the implementation of the corrective actions.

#### **Finding 2016-01**

The auditor noted a deficiency in internal control procedures related to financial processes as well as to the month end and year end financial statement close. Significant adjusting entries were needed at year end to properly report the fiscal year activity and balances at September 30, 2016. This deficiency in internal control was considered to be a material weakness.

The status of the Finding 2016-1 is uncorrected as of September 30, 2017. Finding 2016-1 is a repeat of Finding 2015-1 as well as 2014-1. The County has implemented some aspects of the corrective action plan; however, the finding is repeated in the audit for the year ended September 30, 2017. The County will continue its corrective action plan and has also provided a corrective action plan related to the repeat finding noted as Finding 2017-001 included within this reporting package. The external auditor made several recommendations related to Finding 2016-1. Below is the status of each of those specific recommendations as of September 30, 2017.

#### **1. Journal entries**

**Recommendation:** to establish controls for posting and verification of monthly journal entries

**Planned Corrective Action:** Once journal entries have been prepared and entered into the system, the county auditor 1) reviews that they have been correctly entered, 2) verifies that the entry did what it was intended to do, 3) ensures that proper backup is attached, and 4) initials the "reviewed by" line on the journal entry sheet, and sequential numbering will be used.

**Status:** In-progress

**Explanation:** The auditor will continue to work toward full implementation of recommendations to minimize the potential for a repeat finding.

2. **Bank reconciliations**

**Recommendation:** bank reconciliations be performed monthly on each account for which the County is responsible

**Action Taken:** The County Treasurer now prepares the bank reconciliations for the jail commissary account. The auditor's office reviews the reconciliation as is done with all other bank reconciliations prepared by the treasurer.

**Status:** Corrected

3. **Monthly reporting verification**

**Recommendation:** monthly procedures to verify financial reporting balances

**Planned Corrective Action taken:** Trial balances and budget comparison reports are ran at the end of each month and are reviewed by the county auditor to verify balances are appropriate. Any necessary corrections are made at that time.

**Status:** In progress

**Explanation:** The county auditor continues to gain knowledge of the computer system and the implementation of fund accounting intricacy of governmental accounting standards.

4. **Payroll**

**Recommendation:** develop and implement internal control procedures to ensure correct amounts are being paid each pay period and expenses are being coded to the proper accounts

**Planned Corrective Action taken:** After each payroll, a report is run which compares the amount paid to what should have been paid per the adopted budget. Account codes are also verified by someone other than the payroll clerk to assure coding the correct expense account. A report is also run monthly by the auditor which reports all personnel changes in the system so as to verify no salaries have been incorrectly changed.

**Status:** Corrected

5. **Invoices for expenditures**

**Recommendations:** review invoices and receiving reports to ensure reporting in the proper period

**Planned Corrective Action taken:** A memo was circulated to all department heads within 3 months of fiscal year end to ensure they understood that all purchases from the current budget must be made and received by September 30.

**Status:** Corrected

June 6, 2018



Kayla Hall  
Lamar County Auditor



COUNTY AUDITOR  
OF  
LAMAR COUNTY

**Corrective Action Plan  
For the Year End September 30, 2017**

We are in agreement with the findings related to our September 30, 2017 financial statement audit performed by Malnory, McNeal & Company, PC. As a result of the identified material weaknesses in internal control, the following corrective actions have been taken or will be taken by Lamar County henceforth.

**1. Journal entries**

**Recommendation:** Controls be established on the posting and verification of monthly journal entries both recurring and non-recurring entries as well as manual and system generated. Manual entries should be well thought out with detailed description of the purpose of the adjustment and the expected result. Documentation should be attached and maintained that supports the amounts and purpose of the adjustment. Once an entry has been approved and posted to the general ledger, the ledger should be reviewed to assure the resulting balances are the desired balances. Due to/From accounts as well as transfers in/out should always be in balance with each other across all funds.

**Action to be taken:** The auditor's office is now including more detailed descriptions on journal entries and all entries are verified as posted correctly by the auditor timely after being posted. Documentation that supports both the need for the entry as well as the calculation of the amount of the entry will be maintained with the entry. The results of all entries will be analyzed for propriety and compliance with accounting principles.

**2. Bank reconciliations**

**Recommendation:** bank reconciliations should be reviewed for reasonableness and to verify all reconciling items are related to cash and have proper documentation. Reconciliations should be prepared timely each month for each account for which the County has responsibility.

**Action to be taken:** The auditor's office will continue to review bank reconciliations, which are prepared by the treasurer, monthly and will review reconciling items and

investigate any unusual reconciling items to verify they are proper or if action needs to be taken to clear them.

### 3. Accounting software and General Ledger Management

**Recommendation:** The auditor's office should develop monthly, quarterly and annual review procedures that include manual, spreadsheet driven and/or utilize the functions and capabilities of the general ledger software to assist in the verification of the appropriateness of general ledger activity and account balances. Funds should each be analyzed for both their individual characteristics as well as its relationship to other funds and the overall general ledger as a whole. A thorough understanding of how the software system processes each transaction is needed so that all the debits and credits resulting from each transaction can be verified and evaluated. Close attention should be given to fund equity accounts as well as inter-fund account transactions such as due to/from and transfers in/out to assure the balances are reconciled and in balance. The accounts payable subsidiary detail ledger should be reviewed each month and reconciled to the trial balance for each fund.

**Action to be taken:** The auditor's office will investigate what training is available to learn more about the capabilities of the system and its reports. The auditor's office will develop a monthly, quarterly and annual check-off list to assist with the general ledger review. This list will be first developed using what is known to be available to us currently and then will be adjusted as increased understanding of what is available through system generated analysis reports is obtained. The balances in the inter-fund accounts such as due to/from and transfers in/out will be reviewed and reconciled monthly to assure proper reporting in relation to the fund itself and in relation to all other funds within the general ledger. Accounts payable detail will be reviewed and reconciled to the trial balance monthly.

### 4. Grant funding

**Recommendation:** The auditor's office should assign a staff member to perform internal audits of the financial accounting and compliance reporting for revenues and expenditures of grants. The auditor's office should provide guidance to departments involved in the expenditure of grant awards as to proper documentation related to each award.

**Action to be taken:** For all future grant funding, the auditor's office will monitor, track, and account for all revenue and expenditures in coordination with other related departments involved in the specific projects. The auditor's office will receive and maintain a copy of all notice of grant awards, interim reports sent to awarding agencies and final reports at completion of project or grant. The auditor's office will also provide

guidance and some level of oversight to all county offices responsible for the expenditure of grant awards. This guidance and oversight will include the development of and communication of expected documentation systems.

#### 5. Internal Audits of County Offices

**Recommendations:** The auditor's office should gain a detailed understanding of the systems in place at the various offices of the elected officials and should perform, at least annually, internal audits of each office.

**Action to be taken:** Specifically to the offices of the Justice of the Peace, the auditor will spend time using Odyssey software and gaining an understanding of the writing off and reporting processes for the system thereby gaining a level of knowledge of the system to allow for periodic audit procedures. With regard to all offices of the County, the auditor will create an internal audit schedule each year to ensure internal audits are performed for each department where monetary transactions occur, are processed or for which a fiduciary responsibility is maintained.

The above mentioned corrective actions will be an on-going process of implementation during the fiscal year ended September 30, 2018 and beyond. The goal for implementation of all corrective action is to be complete by December 31, 2018. The responsible official for corrective actions is Kayla Hall, County Auditor for Lamar County, Texas.

June 6, 2018



Kayla Hall

Lamar County Auditor

**LAMAR COUNTY, TEXAS**

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017*

EXHIBIT C-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients  Federal Expenditures
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed Through City of Paris, Texas Edward Byrne Memorial Justice Assistance Grant	16.738	2016-DJ-BX-0241	\$ 6,106
Passed Through the Bureau of Justice Assistance State Criminal Alien Assistance Program	16.606	2016-H1380-TX-AP	2,194
<b>Total Department of Justice</b>			<u>8,300</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through Texas Department of Protective and Regulatory Services: Foster Care Maintenance Title IV-E - ARRA	93.658	27100	3,751
<b>Total Department of Health and Human Services</b>			<u>3,751</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Payments in Lieu of Taxes	15.226	N/A	62,946
Passed Through the Office of Fish and Wildlife Services: National Wildlife Refuge Fund	15.659	N/A	292
<b>Total U.S. Department of Interior</b>			<u>63,238</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Texas Division of Emergency Management Disaster Grants - Public Assistance Grant	97.036	PA-06-TX-4266	384,053
Disaster Grants - Public Assistance Grant	97.036	PA-06-TX-4223	857,680
			<u>1,241,733</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>1,317,022</u></b>

The accompanying notes are an integral part of this schedule.

## **LAMAR COUNTY, TEXAS**

### *NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2017*

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Lamar County, Texas. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Lamar County, Texas has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.