LAMAR COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Introductory Section

Lamar County, Texas
Annual Financial Report
For The Year Ended September 30, 2018

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Financial Section

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Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

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

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion'and Analysis, and budgetary comparison information and schedule of changes in net pension liability and schedule of pension contributions, and schedule of changes in total OPEB liability and related ratios 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 the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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's basic financial statements. The Road and Bridge individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2019 on our consideration of Lamar County, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lamar County, Texas's internal control over financial reporting and compliance.

Malnory, McNeal & Company PC

Certified Public Accountants

April 30, 2019

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, 2018. Please read it in conjunction with the County's financial statements, which follow this section.

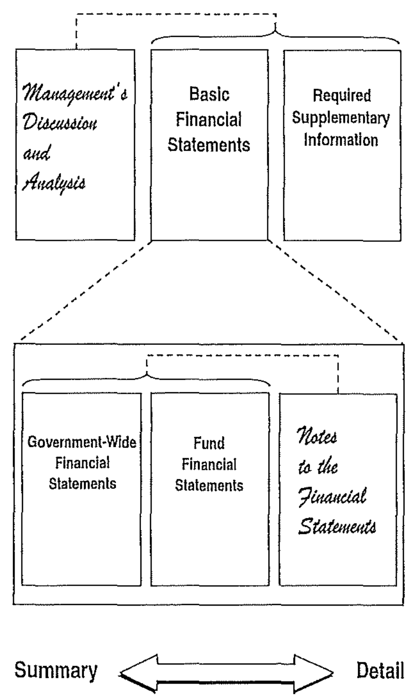
FINANCIAL HIGHLIGHTS

- The County's total combined Net Position was $31,731,686 at September 30, 2018.
- During the year, the County's expenses were $439,434 less than the $22,677,713 generated in taxes and other revenues for governmental activities.
- The total cost of the County's programs was 0.8% higher than last year.
- The unassigned fund balance of the general fund was $9,434,032 or 68% of total general fund expenditures, which is higher 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:

Figure A-1F, Required Components of the County's Annual Financial Report



- 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.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.
- *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. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the County's Government-wide and Fund Financial Statements

		Fund Statements		
Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the county that are not proprietary or fiduciary	Activities the county operates similar to private businesses: self insurance	Instances in which the county is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets • Statement of activities	• Balance sheet • Statement of revenues, expenditures & changes in fund balances	• Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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 two government-wide statements report the County's Net Position and how they have changed. Net Position—the difference between the County's assets and liabilities—is one way to measure the County's financial health or *position.*

- Over time, increases or decreases in the County's Net Position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County include the *Governmental activities.* Most of the County's basic services are included here, such as general government, public safety, legal, public transportation, culture and recreation, and interest on long-term debt. Property taxes and grants 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.

- *Proprietary funds*—Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the County's other programs and activities.
- *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 $31,731,686 at September 30, 2018. (See Table A-1).

Table A-1
County's Net Position

	Governmental Activities	
	2018	2017
Assets:		
Cash and cash equivalents	$16,219,468	$16,920,960
Investments	37,508	36,941
Receivables (net of allowances for uncollectibles):		
Interest	28,921	12,085
Taxes	1,420,881	1,335,487
Accounts	2,099,829	1,135,650
Due from other governments	1,339,217	610,875
Inventories	194,448	176,025
Prepaid Insurance	34,051	34,051
Capital assets (net, where applicable, of accumulated depreciation)	25,410,492	24,724,447
Total Assets and Other Debits	46,784,815	44,986,524
Deferred Outflows of Resources	1,475,521	3,022,059
Liabilities:		
Accounts payable and Accrued expenditures	1,115,930	1,017,124
Unearned Revenue	5,971	--
Other Agencies	30,245	--
Noncurrent Liabilities:		
Due Within One Year	551,906	545,000
Due in More than One Year	4,364,787	8,361,667
Compensated Absences Payable	391,882	384,929
Unamortized Premium on Bonds	86,951	104,846
Net Pension Liability	2,578,019	4,906,349
Total Liabilities	6,553,923	15,319,915
Deferred Inflows of Resources	849,036	451,627
Net Position:		
Invested in Capital Assets, Net of Related Debt	21,382,750	21,549,968
Restricted For:		
Federal and State Programs	74,507	88,263
Debt Service	112,932	--
Capital Projects	563,230	3,045,467
Indigent Care	117,549	242,850
Records Management	1,088,628	899,867
Judicial	227,199	220,553
Other Purposes	1,988,718	2,851,218
Unrestricted	6,176,173	3,338,855
Total Net Position	$31,731,686	$32,237,041

Approximately 2.7% of the County's restricted Net Position represents debt service funds. These funds, when spent, are restricted for the payment of the County's outstanding Certificates of Obligation. The $6,176,173 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 $22,677,713. A significant portion, 58%, of the County's revenue comes from property taxes. (See Figure A-3) 17% came from charges for services, 14.5% came from sales tax and 5.5% from operating and capital grants.

The total cost of all programs and services was $22,238,279; 29% of these costs are for law enforcement services.

Governmental Activities

- Property tax rates decreased by 3.0% and valuations increased 3.2 percent. The increase in values created an increase of tax revenues to $13,119,801.

- The County sold capital bonds of $2,500,000 in 2003. These bonds were authorized for use to the courthouse restoration project. They were refunded in 2012 and gave the county a total interest savings of $174,302. This project was completed during the fiscal year 2006. Bonds were also issued in 2011 for $2,000,000 towards capital projects performed on several county buildings and in 2017 for $2,550,000 towards capital projects and capital assets.

Figure A-3 County Sources of Revenue for Fiscal Year 2017-2018

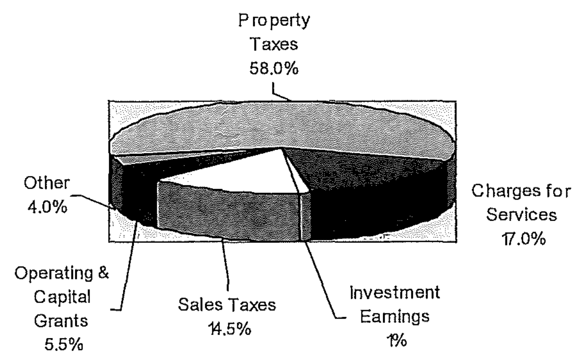


Table A-2
Changes in County's Net Position

	Governmental Activities 2018	2017
Revenues :		
Program Revenues :		
Charges for Services	$3,854,783	$2,296,29
Operating Grants and Contributions	1,242,046	878,068
Capital Grants and Contributions	--	1,241,733
General Revenues:		
Taxes	16,424,146	16,323,389
Grants and Contributions Not Restricted to Specific Program	287,384	1,090,505
Unrestricted Investment Earnings	275,898	134,019
Gain on Sale of Capitalized Assets	24,388	--
Miscellaneous	569,068	123,095
Total Revenues	22,677,713	22,087,438
Program Expenses:		
General Administration	2,810,487	2,973,759
Financial Administration	1,227,613	1,312,761
Judicial	1,831,899	1,888,170
Legal	845,079	838,318
Election	220,033	225,229
Public Safety	6,450,801	6,525,264
Emergency Mgt.	86,689	79,193
Public Welfare	2,652,926	2,428,172
Public Transportation	4,875,650	4,634,780
Conservation and Agriculture	117,285	117,103
Public Facilities	984,703	918,208
Interest on Long-Term Debt	135,115	112,646
Total Expenses	22,238,279	22,053,603
Special and Extraordinary Items:		
Special Item Outflow	--	--
Change in Net Position	439,434	33,835
Net Position, October 1	32,237,041	32,165,516

Prior Period Adjustment	(944,789)	37,690
Adjusted Net Position, October 1	31,292,252	32,203,206
Net Position, September 30	$31,731,686	$32,165,518

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 $22,238,279.
- However, the amount that our taxpayers paid for these activities through property taxes was only $13,119,801.
- Some of the cost was paid by those who directly benefited from the programs $3,854,783, or
- By grants and contributions of $1,529,430.

Table A-3
Net Cost of Selected County Functions

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
General administration	2,810,487	2,973,759	(1,278,376)	(2,370,626)
Public safety	6,450,801	6,525,264	(6,308,083)	(6,355,996)
Public welfare	2,652,926	2,428,172	(2,556,190)	(2,338,074)
Public transportation	4,875,650	4,634,780	(3,260,398)	(2,307,441)

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, decreased over prior year amounts by $64,470. The decrease was due to the decrease in the tax rate. Sales tax revenues and fees, fines, and intergovernmental revenue remained mostly unchanged. Miscellaneous revenue decreased slightly, and interest revenue increased due to an increase in CD interest rates. Overall, these changes lead total revenues this year to be slightly lower than that of the prior year.
- Expenditures in governmental funds increased $264,350 (1%) from prior year totals. The primary area of increased expenditures was in public safety, public welfare, and public transportation.

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 $9,434,032, while total fund balance reached $12,456,663. 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 68% of total general fund expenditures and total fund balance represents 90% 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 $451,130 during the current fiscal year. The main reason for this increase was that 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 $1,056,154, a decrease of $61,775. The main factor is the increase in capital outlay expense.

Debt Service Fund. The debt service 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 forty-nine 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 $114,936 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 $1,338,048 below final budget amounts. The most significant positive variance resulted from operating costs in public safety. Personnel cost remained down in both the Sheriff's Department and 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 $609,465 above the final budgeted amount. Due mostly to the following:

- 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 2018, the County had invested $54,535,981 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 $71,533 or 0.1 percent from last year. This was mainly due to the replacement of older equipment with new equipment.

Table A-4
County's Capital Assets

	Governmental Activities 2018	Governmental Activities 2017
Land	$ 732,602	$ 732,602
Construction in Progress	1,192,337	1,097,636
Buildings and improvements	21,116,805	21,037,616
Vehicles and equipment	11,444,884	10,640,851
Infrastructure	21,974,292	20,955,743
Totals at historical cost	54,535,981	54,464,448
Total accumulated depreciation	(31,050,428)	(29,740,001)
Net capital assets	$ 25,410,492	$ 24,724,447

The County's fiscal year 2018-19 capital budget projects spending $1,941,504 for capital projects, principally to do restoration work and large-scale repair on county buildings, along with the purchase of additional equipment and a new Voter microwave radio system. 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 $4,526,365 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

	Governmental Activities 2018	2017
Bonds payable	$ 4,526,365	$ 4,919,264
Accumulated Accretion	390,328	327,234
Premium on Bonds	86,951	104,846
Compensated absences	391,882	384,929
Total long-term debt	$ 5,395,526	$ 5,736,273

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2018-19 budget preparation is up $88,870,650, or 2.6%.
- General operating fund spending increases in the 2018-19 budget from $14,965,799 to $15,499,133. This is a 3.5% increase.

These indicators were taken into account when adopting the general fund budget for 2018-19. During the current fiscal year, unassigned fund balance in the general fund increased to $9,434,032. Lamar County appropriated $975,290 of this amount for spending in the 2018-19 fiscal year budget. The County will use this balance to fund the rising costs in the general fund.

In the general fund, expenditures are budgeted to rise 3.5% to $15,499,133. The increase is primarily due to increased operating costs and equipment. Employees received a $1,000 pay raise for the 2018-19 fiscal year.

If these estimates are realized, the County's budgetary general fund balance is expected to see a decrease by the close of 2019.

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

EXHIBIT A-1

LAMAR COUNTY, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

		Governmental Activities
ASSETS		
Assets:		
Cash and cash equivalents	$	16,219,468
Investments		37,508
Receivables (net of allowances for uncollectibles):		
Interest		28,921
Taxes		1,420,881
Accounts		2,099,829
Due from other governments		1,339,217
Inventories		194,448
Prepaid Insurance		34,051
Capital assets (net, where applicable, of accumulated depreciation)		
Land		732,602
Construction in progress		1,192,337
Buildings		10,744,798
Equipment		4,455,792
Infrastructure - Roads and Bridges		8,284,963
Total Assets		46,784,815
Deferred Outflows of Resources:		
Deferred Outflows of Resources--Pension		969,341
Deferred Outflows of Resources--OPEB		506,180
Total Deferred Outflows of Resources		1,475,521
LIABILITIES		
Liabilities:		
Accounts payable & Accrued expenditures		1,115,930
Unearned Revenue		5,971
Due to Other Agencies		30,245
Noncurrent Liabilities:		
Due Within One Year		551,906
Due in More than One Year		4,364,787
Compensated Absences Payable		391,882
Unamortized Premium on Bonds		86,951
Net Pension Liability		2,578,019
Total OPEB Liability		6,553,923
Total Liabilities		15,679,614
Deferred Inflows of Resources:		
Deferred Inflows of Resources--Pension		849,036
Total Deferred Inflows of Resources		849,036
NET POSITION:		
Net Investment in Capital Assets		21,382,750
Restricted For:		
State and Federal Programs		74,507
Debt Service		112,932
Capital Projects		563,230
Indigent Care		117,549
Records Management		1,088,628
Judicial		227,199
Other Purposes		1,988,718
Unrestricted		6,176,173
Total Net Position	$	31,731,686

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Functions/Program Activities				
Governmental Activities:				
General Administration	$ 2,810,487	$ 1,506,649	$ 25,510	$ (1,278,328)
Financial Administration	1,227,613	756,676	--	(470,937)
Judicial	1,831,899	465,461	100,558	(1,265,880)
Legal	845,079	34,034	82,546	(728,499)
Elections	220,033	--	225,416	5,383
Public Safety	6,450,801	94,674	48,044	(6,308,083)
Emergency Management	86,689	--	45,273	(41,416)
Public Welfare	2,652,926	--	96,736	(2,556,190)
Public Transportation	4,875,650	997,289	617,963	(3,260,398)
Conservation and Agriculture	117,285	--	--	(117,285)
Public Facilities	984,703	--	--	(984,703)
Interest on Long-Term Debt	135,115	--	--	(135,115)
Total Primary Government	$ 22,238,279	$ 3,854,783	$ 1,242,046	(17,141,450)

General Revenues:	
Taxes	
Property Taxes	13,119,801
Sales Taxes	3,304,345
Grants and Contributions Not Restricted to Specific Programs	287,384
Unrestricted Investment Earnings	275,898
Gain on Sale of Non-Capitalized Equipment	24,388
Miscellaneous	569,068
Total General Revenues and Transfers	17,580,884
Change in Net Assets	439,434
Net Position - Beginning	32,237,041
Prior Period Adjustment	(944,789)
Net Position - Beginning, as Restated	31,292,252
Net Assets - Ending	$ 31,731,686

The accompanying notes are an integral part of this statement.

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

	General Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets:				
Cash and cash equivalents	$ 12,175,579	$ 1,263,231	$ 2,780,658	$ 16,219,468
Investments	33,494	890	3,124	37,508
Receivables (net of allowances for uncollectibles):				
Interest	27,496	1,425	--	28,921
Taxes	979,446	242,880	198,555	1,420,881
Accounts	1,444,209	655,620	--	2,099,829
Due from other governments	570,666	710,032	58,519	1,339,217
Inventories	--	187,261	7,187	194,448
Prepaid Insurance	34,051	--	--	34,051
Total Assets	15,264,941	3,061,339	3,048,043	21,374,323
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts Payable & Accrued Expenditures	$ 421,908	$ 411,170	$ 268,174	$ 1,101,252
Deferred Revenue	--	--	5,971	5,971
Due to Other Agencies	--	--	30,245	30,245
Total Liabilities	421,908	411,170	304,390	1,137,468
Deferred Inflows of Resources:				
Deferred Inflows of Resources--Fines	1,406,923	641,103	--	2,048,026
Deferred Inflows of Resources--Property Taxes	979,447	242,880	198,556	1,420,883
Deferred Inflows of Resources--Grant Funding	--	710,032	--	710,032
Total Deferred Inflows of Resources	2,386,370	1,594,015	198,556	4,178,941
Fund Balances:				
Nonspendable Fund Balances:				
Inventories	--	--	7,187	7,187
Prepaid Expenses	34,051	--	--	34,051
Restricted Fund Balances:				
Federal/State Funds Grant Restrictions	--	--	86,933	86,933
Other Restrictions of Fund Balance	--	337,832	2,412,682	2,750,514
Committed Fund Balances:				
SURRMA Interlocal Coop Agreement	535,711	--	38,295	574,006
Assigned	2,452,869	718,322	--	3,171,191
Unassigned	9,434,032	--	--	9,434,032
Total Fund Balances	12,456,663	1,056,154	2,545,097	16,057,914
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 15,264,941	$ 3,061,339	$ 3,048,043	$ 21,374,323

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

Total fund balances - governmental funds balance sheet	$	16,057,914
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.		25,410,492
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		1,420,882
Payables for bond principal which are not due in the current period are not reported in the funds.		(4,374,264)
Payables for bond interest which are not due in the current period are not reported in the funds.		(14,678)
Payables for notes which are not due in the current period are not reported in the funds.		(152,101)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(391,882)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(6,553,923)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		710,032
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.		2,048,026
Recognition of the County's proportionate share of the net pension liability is not reported in the funds.		(2,578,019)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(849,036)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		969,341
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.		(390,328)
Bond premiums are amortized in the SNA but not in the funds.		(86,950)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		506,180
Net position of governmental activities - Statement of Net Position	$	31,731,686

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, 2018

	General Fund	Road & Bridge Fund	Other Governmental Funds	Total Governmental Funds
Revenue:				
Property Taxes	$ 8,984,334	$ 2,227,904	$ 1,822,166	$ 13,034,404
Other Taxes	3,304,345	--	--	3,304,345
Intergovernmental Receipts	425,745	1,185,609	556,364	2,167,718
Fees of Office	1,315,615	857,622	344,371	2,517,608
Fines	247,704	139,667	--	387,371
Interest	239,259	11,772	24,867	275,898
Miscellaneous	296,399	36,414	226,592	559,405
Total revenues	14,813,401	4,458,988	2,974,360	22,246,749
Expenditures:				
Current:				
General Administration	2,163,487	--	537,956	2,701,443
Financial Administration	1,143,941	--	--	1,143,941
Judicial	1,702,603	--	68,090	1,770,693
Legal	686,938	--	124,580	811,518
Elections	214,741	--	--	214,741
Public Safety	5,673,905	--	353,989	6,027,894
Public Welfare	1,309,038	--	1,334,108	2,643,146
Public Transportation	--	3,883,811	39,924	3,923,735
Conservation and Agriculture	115,013	--	--	115,013
Public Facilities	696,961	--	--	696,961
Emergency Management	76,712	--	--	76,712
Capital outlay	60,175	1,044,447	1,385,578	2,490,200
Principal	--	--	545,000	545,000
Interest and fees	--	--	81,743	81,743
Total expenditures	13,843,514	4,928,258	4,470,968	23,242,740
Excess (deficiency) of revenues (under) expenditures	969,887	(469,270)	(1,496,608)	(995,991)
Other financing sources (uses):				
Transfers in	4,242	200,000	341,998	546,240
Transfers out	(541,999)	--	(4,242)	(546,241)
Proceeds from Sales of Capital Assets	19,000	267,560	--	286,560
Other Sources	--	152,101	--	152,101
Total other financing sources (uses)	(518,757)	619,661	337,756	438,660
Net change in fund balances	451,130	150,391	(1,158,852)	(557,331)
Fund balances/equity, October 1	12,005,533	1,117,929	3,703,949	16,827,411
Prior Period Adjustment (Note)	--	(212,166)	--	(212,166)
Fund balances/equity, October 1, as Restated	12,005,533	905,763	3,703,949	16,615,245
Fund balances/equity, September 30	$ 12,456,663	$ 1,056,154	$ 2,545,097	$ 16,057,914

The accompanying notes are an integral part of this statement.

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, 2018

Net change in fund balances - total governmental funds	$	(557,331)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		2,490,200
The depreciation of capital assets used in governmental activities is not reported in the funds.		(1,541,984)
The gain or loss on the sale of capital assets is not reported in the funds.		(2,709)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.		(259,463)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		85,397
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.		(638,289)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		545,000
(Increase) decrease in accrued interest from beginning of period to end of period.		(53,372)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		(6,953)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.		959,467
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.		(152,101)
The County's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.		(121,798)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.		(306,630)
Change in net position of governmental activities - Statement of Activities	$	439,434

The accompanying notes are an integral part of this statement.

LAMAR COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2018

	Agency Funds
ASSETS	
Assets:	
Cash and cash equivalents	$ 1,983,728
Total Assets	$ 1,983,728
LIABILITIES	
Liabilities:	
Due to Other Agencies	$ 892,656
Due to Beneficiaries	1,091,072
Total Liabilities	$ 1,983,728

The accompanying notes are an integral part of this statement.

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 Couny
- 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.

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.

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 does not consider revenues collected after its year-end to be available in the current period. 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 when they become due or past due and receivable within the current period.

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.

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:

Asset Class	Estimated Useful Lives
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.

	General Fund	Road and Bridge Fund	Other Governmental	Total
Interest Receivable	$ 27,496	$ 1,425	$ --	$ 28,921
Deliquent Taxes Receivable	1,030,996	255,663	209,007	1,495,666
Less: Allowance for Uncollectibles	(51,550)	(12,783)	(10,451)	(74,784)
Net Delinquent Taxes Receivable	979,446	242,880	198,556	1,420,882
Accounts Receivable	2,711,711	1,543,376	--	4,255,087
Less: Allowance for Uncollectibles	(1,267,502)	(887,756)	--	(2,155,258)
Net Fines Receivable	1,444,209	655,620	--	2,099,829
Total Net Receivables	$ 2,451,151	$ 899,925	$ 198,556	$ 3,549,632

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 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	$	2,578,019

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	$	74,507
Restricted for Indigent Care		117,549
Restricted for Capital Projects		563,230
Restricted for Records Management		1,088,628
Restricted for Judicial		227,199
Restricted for Other Purposes		1,988,718
Total	$	4,059,831

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 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.

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:

Violation	Action Taken
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:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

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, 2018, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $18,203,197 and the bank balance was $5,375,958. The County's cash deposits at September 30, 2018 and during the year ended September 30, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

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, 2018 are shown below.

Investment or Investment Type	Maturity	Fair Value
Tex Pool	N/A	$ 37,509
Total Investments		$ 37,509

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, 2018, 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.

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.

D. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 732,602	$ --	$ --	$ 732,602
Construction in progress	1,097,636	980,264	885,563	1,192,337
Total capital assets not being depreciated	1,830,238	980,264	885,563	1,924,939
Capital assets being depreciated:				
Road Network	20,955,743	161,062	--	21,116,805
Buildings and improvements	21,037,616	936,676	--	21,974,292
Equipment	10,640,851	1,297,762	493,729	11,444,884
Total capital assets being depreciated	52,634,210	2,395,500	493,729	54,535,981
Less accumulated depreciation for:				
Road Network	(12,344,357)	(487,485)	--	(12,831,842)
Buildings and improvements	(10,859,540)	(369,954)	--	(11,229,494)
Equipment	(6,536,104)	(684,545)	(231,557)	(6,989,092)
Total accumulated depreciation	(29,740,001)	(1,541,984)	(231,557)	(31,050,428)
Total capital assets being depreciated, net	22,894,209	853,516	262,172	23,485,553
Governmental activities capital assets, net	$ 24,724,447	$ 1,833,780	$ 1,147,735	$ 25,410,492

Depreciation was charged to functions as follows:

General Government	$ 64,629
Judicial	1,573
Legal	8,363
Election	882
Finance	52,959
Facilities	278,711
Safety	235,729
Transportation	896,544
Welfare	2,594
	$ 1,541,984

E. Interfund Balances and Activity

Transfers To and From Other Funds

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

Transfers From	Transfers To	Amount	Reason
General fund	Capital Projects Fund	$ 266,323	Supplement other funds sources
General fund	Courthourse Security Fund	5,658	Supplement other funds sources
General fund	Victims Fund	13,017	Supplement other funds sources
General fund	Road and Bridge Fund	200,000	Supplement other funds sources
Jail Commissary	General Fund	4,242	Reimburse expenditures
	Total	$ 489,240	

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. There were no short term loans.

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, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
2011 Certificate of Obligation					
Current Interest Bonds	$ 40,000	$ --	$ 40,000	$ --	$ --
Capital Apprec Bonds	1,689,248	--	--	1,689,248	457,545
Premium Capital Apprec bonds	70,016	--	--	70,016	--
2012 Tax Refunding Bonds	580,000	--	495,000	85,000	--
2017 Certificate of Obligation	2,540,000	--	10,000	2,530,000	10,000
Excavator Note		152,101		152,101	84,361
Total	4,919,264	152,101	545,000	4,526,365	551,906
Accum Accretion CAB '11	296,931	57,156	--	354,087	--
Accum Accretion Prem CAB '11	30,303	5,938	--	36,241	--
Premium CAB Series 2011	35,410	--	5,901	29,509	--
Prem Current Interest Bd '11	505	--	505	--	--
Premium 2012 Refunding Bds	68,931	--	11,489	57,442	--
	432,080	63,094	17,895	477,279	--
Amount Payable Under					
Compensated absences *	384,929	572,838	565,885	391,882	391,882
Total	384,929	572,838	565,885	391,882	391,882
Total governmental activities	$ 5,736,273	$ 788,033	$ 1,128,780	$ 5,395,526	$ 943,788

* Other long-term liabilities
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

	Certificate of Obligations 2011		
Year Ending September 30,	Principal	Interest	Total
2019	$ 457,545	$ 92,455	$ 550,000
2020	431,651	118,349	550,000
2021	410,278	139,722	550,000

	Principal	Interest	Total
2022	389,774	160,226	550,000
2023	70,016	139,984	210,000
Totals	$ 1,759,264	$ 650,736	$ 2,410,000

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 Certficates 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%.

	Tax Refunding Bonds 2012		
Year Ending September 30,	Principal	Interest	Total
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	$ 85,000	$ 12,750	$ 97,750

	Certificate of Obligations 2017		
Year Ending September 30,	Principal	Interest	Total
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	$ 2,530,000	$ 466,304	$ 2,996,304

	Note Payable 2018		
Year Ending September 30,	Principal	Interest	Total
2019	$ 84,361	$ 5,639	$ 90,000
2020	67,740	2,636	70,376
Totals	$ 152,101	$ 8,275	$ 160,376

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 2018, 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 Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The County pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML 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 a 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 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:

Contribution Rates	2017	2018
Employee	7%	7%
Employer	12.32%	12.70%
Fiscal year contributions:		
Employer	$ 989,377	$ 1,052,307

The most recent comprehensive annual financial report for TCDRS can be found at the following link, 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	195
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 Liaility 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.) 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 memebers	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 specificd in the funding policy.

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 year.

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 admistrative 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-Yeild 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%

	Increase (Decrease)		
Changes in Net Pension Liability	$ Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	$ 40,086,070	$ 35,179,721	$ 4,906,349
Changes for the year			
Service cost	1,140,140	--	1,140,140
Interest	3,259,731	--	3,259,731
Effect of plan changes	--	--	--
Effect of economic/demographic gains or losses	(188,689)	--	(188,689)
Changes of assumptions	124,585	--	124,585
Contributions - employer	--	1,000,311	(1,000,311)
Contributions - employee	--	568,363	(568,363)
Net investment income	--	5,128,005	(5,128,005)
Benefit payments	(2,004,256)	(2,004,256)	--
Refund of contributions	--	--	--
Administrative expense	--	(26,495)	26,495
Other changes	--	(6,087)	6,087
Net changes	$ 2,331,511	$ 4,659,841	$ (2,328,330)
Balance at 12/31/2017	$ 42,417,581	$ 39,839,562	$ 2,578,019

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	$ 47,789,535	$ 42,417,581	$ 37,873,024
Fiduciary net position	$ 39,839,563	$ 39,839,563	$ 39,839,563
County's net pension liability	$ 7,949,972	$ 2,578,019	$ (1,966,539)

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

For the year ended September 30, 2018, the County recognized pension expense of $1,174,105.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 3,834	$ 395,854
Changes in actuarial assumptions	189,532	--
Difference between projected and actual investment earnings	--	453,182
Contributions subsequent to the measurement date	775,975	
Total	$ 969,341	$ 849,036

The $775,975 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, 2019. 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:		
2019	$	140,984
2020	$	94,704
2021	$	(431,951)
2022	$	(459,407)
2023	$	--
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, 2018. Employees at their option, authorized payroll withholdings for contibutions 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, 2018.

L. Subsequent Events

Management has evaluated subsequent events through April 30, 2019, the date the financials were available to be deistributed and noted no events to be disclosed.

M. Sulphur River Region Mobility Interlocal Cooperative Agreement

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.

Years of Stated Maturity	Principal Amounts ($)	Interest Amounts ($)	Interest Rates (%)
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%
	$ 535,711	$ 71,326	

N. Prior Period Adjustment

During fiscal year 2018, the County adopted GASB Statement No. 75 for Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions. With GASB 75, the County must assume their total OPEB liability of the Lamar County Retiree Health Care Plan. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled $2,080,942 for the total OPEB liability.

A prior period adjustment was also made for the grant funds receivable from FEMA that effected the governmental funds for $212,166 and the government wide statements for $1,348,321.

O. Other Postemployment Benefits

Plan Description The County sponsors and administers Lamar County Retiree Health Care Plan. It is a single-employer defined benefit health care plan. 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided

The Plan pays a portion of the 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. There are no automatic post-employment benefit changes, including automatic COLAs.

Contributions

Employees and dependents continue to pay the employee or dependent share of the premiums charged to active members. Spouses/dependents are eligible for coverage. Any spouse already covered on the plan when the retiree reaches the age of 65 or surviving spouses of retirees may continue coverage by continuing to pay the retiree and spouse premium less the amount for the retiree. Only dependents covered by the employee on the county's insurance plan at the time of retirement are eligible. Members who retired before October 1, 2016, can receive coverage for their spouse by paying half the dependent Premium.

The premium rates for the health care insurance for 2017- 2018 fiscal year for retirees is as follows:

	Monthly Health Care Plan Premium Rates			
	Base Plan 1500		Buy UP Plan 1200	
	Employer	Retiree	Employer	Retiree
Retiree	$ 658	$ 37	$ 748	$ 37
Retiree and Spouse	748	364	748	466
Retiree and Children	748	250	748	354
Retiree and Family	748	690	748	841

Employees covered by benefit terms, at September 30, 2018, the following employees were covered by the benefit terms:

Membership*		
Number of:		
Retirees and Beneficiaries	19	
Inactive, Nonretired Members	--	
Active Members	170	
Total	189	
Covered Payroll		$ 7,765,303
Total OPEB Liability		$ 6,553,923
Total OPEB Liability as a Percentage of Covered Payroll		84.40%
Development of the Single Discount Rate		
Long-Term Municipal Bond Rate**		3.31%
Total OPEB Expense		$ 599,423

* The memebership counts provided above are as of the valuation date September 30, 2016
** Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity "20-Year Municipal GO AA Index" as of December 31, 2017.

Actuarial Assumbtions and Other Inputs:

Actuarial Assumptions:
The demographic assumptions are based on the assumptions that were developed for the defined benefit plan in which the County participates (TCDRS). The assumptions are based on the experience study covering the four year period ending December 31, 2016 as conducted for the Texas County and District Retirement System (TCDRS).

Valuation Date:	September 30, 2016
Measurement Date of the Total OPEB Liability	December 31, 2017
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.31% as of December 31, 2017
Inflation	2.50%
Salary Increases	0.50% to 5.00%, not including wage inflation of 3.25%
Dempgraphic Assumptions	Based on the experience study covering the four year period ending December 31, 2016 as conducted for the TCDRS.
Mortality	For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. Those rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014.
Health Care Trend Rates	Initial rate of 7.30% declining to an ultimate rate of 5.50% after 8 years; Ultimate trend rate includes a 1.25% adjustment for the excise tax.
Participation Rates	95% of retirees assumed to choose to receive retiree health care benefites through the County.

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

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

Changes in the Total OPEB Liability	
Total OPEB liability	
Service Cost	$ 337,130
Interest on the total OPEB liability	229,662
Difference between expected and actual experience in the measurement of the total OPEB Liability	26,352
Changes of assumptions	252,165
Benefit payments	(301,400)
Net change in total OPEB liability	543,909
Total OPEB liability--beginning	6,010,014
Total OPEB liability--ending	$ 6,553,923

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

No changes in benefit terms from previous actuarial valuation.

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

a.	Explicit benefit payments	$	177,712
b.	Implicit benefit payments		123,688 *
c.	Total benefit payments	$	301,400

* The .696 factor equals the ratio of the expected implicit subsidy to the expected explicit costs.

Sensitivity of Total OPEB Liability to the Discount Rate Assumption

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

1% Decrease 2.31%	Current Discount Rate Assumption 3.31%	1% Increase 4.31%
$ 7,081,130	$ 6,553,923	$ 6,058,386

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

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

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
$ 5,770,174	$ 6,553,923	$ 7,495,321

Deferred Outflows and Deferred Inflows Related to OPEB

	Deferred Ouflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 23,265	$ --
Changes in assumptions	222,621	--
Contributions subsequent to the measurement date	260,294	--
Total	$ 506,180	$ --

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

Year Ending September 30	Net Deferred Outflows/ Inflows
2019	$ 32,631
2020	32,631
2021	32,631
2022	32,631
2023	32,631
Thereafter	82,731
Total	$ 245,886

P. Tax Abatements

The County enters into property tax abatement agreements with local businesses under the Property Redevelopment and Tax Abatement Act, Chapter 312, Texas Tax Code. Under the Act, localities may grant property tax abatements of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the County.

For the fiscal year ended September 30, 2018, the County abated property taxes totaling $623,005 under this program, including the following tax abatement agreements that each exceeded 10 percent of the total amount abated:

* A 100 percent property tax abatement to a local manufacturing facility to purchase additional machinery to enhance production capabilities. The abatement amounted to $409,770.
* A 100 percnet property tax abatement for a local hospital to update one of its facilities and purchase new medical equipment. The abatement amounted to $77,948.

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenue:				
Property Taxes	$ 8,929,263	$ 8,929,263	$ 8,984,334	$ 55,071
Other Taxes	3,175,000	3,175,000	3,304,345	129,345
Intergovernmental Receipts	366,500	366,500	425,745	59,245
Fees of Office	1,159,900	1,159,900	1,315,615	155,715
Fines	220,000	220,000	247,704	27,704
Interest	55,500	55,500	239,259	183,759
Miscellaneous	179,700	297,773	296,399	(1,374)
Total revenues	14,085,863	14,203,936	14,813,401	609,465
Expenditures:				
Current:				
General Administration	2,352,973	2,374,833	2,163,487	211,346
Financial Administration	1,288,619	1,288,619	1,143,941	144,678
Judicial	1,772,017	1,772,017	1,702,603	69,414
Legal	758,866	759,544	686,938	72,606
Elections	247,780	247,780	214,741	33,039
Public Safety	5,996,710	6,047,537	5,673,905	373,632
Public Welfare	1,521,116	1,521,116	1,309,038	212,078
Conservation and Agriculture	123,347	123,347	115,013	8,334
Public Facilities	890,453	926,913	696,961	229,952
Emergency Management	84,445	89,556	76,712	12,844
Capital outlay	30,300	30,300	60,175	(29,875)
Total expenditures	15,066,626	15,181,562	13,843,514	1,338,048
Excess (deficiency) of revenues (under) expenditures	(980,763)	(977,626)	969,887	1,947,513
Other financing sources (uses):				
Transfers in	--	--	4,242	4,242
Transfers out	(1,574,859)	(1,574,859)	(541,999)	(1,032,860)
Proceeds from Sales of Capital Assets	--	--	19,000	19,000
Total other financing sources (uses)	(1,574,859)	(1,574,859)	(518,757)	(1,056,102)
Net change in fund balances	(2,555,622)	(2,552,485)	451,130	3,003,615
Fund balances/equity, October 1	12,005,533	12,005,533	12,005,533	--
Fund balances/equity, September 30	$ 9,449,911	$ 9,453,048	$ 12,456,663	$ 3,003,615

LAMAR COUNTY, TEXAS

EXHIBIT B-2

ROAD & BRIDGE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenue:				
Property Taxes	$ 2,213,496	$ 2,213,496	$ 2,227,904	$ 14,408
Intergovernmental Receipts	40,000	1,011,932	1,185,609	173,677
Fees of Office	872,000	872,000	857,622	(14,378)
Fines	120,000	120,000	139,667	19,667
Interest	5,000	5,000	11,772	6,772
Miscellaneous	8,000	201,583	36,414	(165,169)
Total revenues	3,258,496	4,424,011	4,458,988	34,977
Expenditures:				
Current:				
Public Transportation	4,811,403	4,913,302	3,883,811	1,029,491
Capital outlay	--	1,091,176	1,044,447	46,729
Total expenditures	4,811,403	6,004,478	4,928,258	1,076,220
Excess (deficiency) of revenues (under) expenditures	(1,552,907)	(1,580,467)	(469,270)	1,111,197
Other financing sources (uses):				
Transfers in	200,000	200,000	200,000	--
Proceeds from Sales of Capital Assets	238,000	265,560	267,560	2,000
Other Sources	--	--	152,101	(152,101)
Total other financing sources (uses)	438,000	465,560	619,661	(154,101)
Net change in fund balances	(1,114,907)	(1,114,907)	150,391	1,265,298
Fund balances/equity, October 1	1,117,929	1,117,929	1,117,929	--
Prior Period Adjustment (Note)	(212,166)	(212,166)	(212,166)	--
Fund balances/equity, October 1, as Restated	905,763	905,763	905,763	--
Fund balances/equity, September 30	$ (209,144)	$ (209,144)	$ 1,056,154	$ 1,265,298

Lamar County, Texas
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Plan Year Ended December 31,			
	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 1,140,140	$ 1,170,681	$ 1,062,160	$ 1,027,821
Interest (on the total pension liability)	3,259,731	3,045,080	2,896,381	2,706,809
Changes of benefit terms	-	-	(198,814)	-
Difference between expected and actual experience	(188,689)	(228,202)	(560,951)	19,162
Change of assumptions	124,585	-	384,372	-
Benefit payments, including refunds of employee contributions	(2,004,256)	(1,807,060)	(1,615,856)	(1,430,157)
Net Change in Total Pension Liability	2,331,511	2,180,499	1,967,292	2,323,635
Total Pension Liability - Beginning	40,086,070	37,905,571	35,938,279	33,614,644
Total Pension Liability - Ending (a)	$ 42,417,581	$ 40,086,070	$ 37,905,571	$ 35,938,279
Plan Fiduciary Net Position				
Contributions - employer	$ 1,000,311	$ 972,762	$ 954,993	$ 902,168
Contributions - employee	568,363	560,589	540,420	511,356
Net investment income	5,128,005	2,446,067	(193,371)	2,132,136
Benefit payments, including refunds of employee contributions	(2,004,256)	(1,807,060)	(1,615,856)	(1,430,157)
Administrative expense	(26,495)	(26,560)	(23,928)	(24,985)
Other	(6,087)	8,375	(109,588)	4,777
Net Change in Plan Fiduciary Net Position	4,659,841	2,154,173	(447,330)	2,095,295
Plan Fiduciary Net Position - Beginning	35,179,721	33,025,548	33,472,878	31,377,582
Plan Fiduciary Net Position - Ending (b)	$ 39,839,562	$ 35,179,721	$ 33,025,548	$ 33,472,877
Net Pension Liability - Ending (a) - (b)	$ 2,578,019	$ 4,906,349	$ 4,880,023	$ 2,465,402
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.92%	107.75%	87.13%	93.14%
Covered Payroll	$ 8,119,472	$ 7,966,912	$ 7,720,291	$ 7,305,090
Net Pension Liability as a Percentage of Covered Payroll	31.75%	61.58%	63.21%	33.75%

Lamar County, Texas
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Fiscal Year Ended September 30,			
	2018	2017	2016	2015
Actuarially determined contribution	$ 1,052,307	$ 989,377	$ 969,753	$ 905,629
Contributions in relation to actuarially determined contribution	(1,052,307)	(989,377)	(969,753)	(905,629)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 8,352,998	$ 8,050,965	$ 7,914,579	$ 7,323,963
Contributions as a percentage of covered payroll	12.60%	12.29%	12.25%	12.37%

Lamar County, Texas
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Plan Year Ended December 31, 2017
Total OPEB Liability	
Service cost	$ 337,130
Interest (on the total OPEB liability)	229,662
Changes of benefit terms	-
Difference between expected and actual experience	26,352
Change of assumptions	252,165
Benefit payments, including refunds of employee contributions	(301,400)
Net Change in Total OPEB Liability	543,909
Total OPEB Liability - Beginning	6,010,014
Total OPEB Liability - Ending (a)	$ 6,553,923
Covered Payroll	$ 7,765,303
Total OPEB Liability as a Percentage of Covered Payroll	84.40%

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

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

NOTES TO SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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
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
Remaining Amortization Period	1.8 years
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	3.0%
Salary Increases	3.5% Payroll growth for funding calculations
	(The payroll growth assumption is for the aggregate covered payroll of an employer.)
	The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation compnint 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	8.0%, 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 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.
Other Information:	There were no benefit changes during the year.

Lamar County, Texas

NOTES TO THE SCHEDULE OF OPEB CONTRIBUTIONS

SEPTEMBER 30, 2018

Actuarial Assumbtions and Other Inputs:

Actuarial Assumptions:
The demographic assumptions are based on the assumptions that were developed for the defined benefit plan in which the County participates (TCDRS). The assumptions are based on the experience study covering the four year period ending December 31, 2016 as conducted for the Texas Coun ty and District Retirement System (TCDRS).

Valuation Date:	September 30, 2016
Measurement Date of the Total OPEB Liability	December 31, 2017

Methods and Assumptions:

Actuarial Cost Method	Individual Entry-Age
Discount Rate	3.31% as of December 31, 2017
Inflation	2.50%
Salary Increases	0.50% to 5.00%, not including wage inflation of 3.25%
Dempgraphic Assumptions	Based on the experience study covering the four year period ending December 31, 2016 as conducted for the TCDRS.
Mortality	For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. Those rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014.
Health Care Trend Rates	Initial rate of 7.30% declining to an ultimate rate of 5.50% after 8 years; Ultimate trend rate includes a 1.25% adjustment for the excise tax.
Participation Rates	95% of retirees assumbed to choose to receive retiree health care benefites through the County.

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

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
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AICPA Governmental Audit Quality Center

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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

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

Members of the 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, 2018, and the related notes to the financial statements, which collectively comprise Lamar County, Texas's basic financial statements, and have issued our report thereon dated April 30, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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1711 Clarksville Street Paris, Texas 75460 Telephone: 903-784-6700 Facsimile: 903-784-6934
www.malnorymcneal.com

Finding: 2018-001

Criteria:
Ongoing monitoring of the financial operations within the elected officials' offices is crucial to proper financial reporting as well as the effort to prevent detect deter and correct errors in the financial reporting.

Condition:
We noted the County Auditor's office conducted only internal audit inspections of the Chapter 59 Asset Forfeiture Accounts which include Pre-Forfeiture Account, County Attorney Post-Forfeiture Account, Sheriff Post-Forfeiture, and Constables Post-Forfeiture accounts and the Jail Commissary. No other elected official offices were audited by the County Auditor's office.

Cause:
The cause of the deficiency appears to be a lack of overall planning and internal control monitoring.

Effect:
Potential errors in financial reporting would not be identified timely in the normal course of County staff performing their assigned duties. Also, the monitoring of financial transactions occurring within the offices of elected officials were not tested to determine the effectiveness of the designed or if 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:
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 and document, at least annually, internal audits of each office.

Finding: 2018-002

Criteria:
The County should have a clear understanding of the source of funding as to whether local, state or federal. If the funding is federal the understanding should then include the CFDA Number, the funding agency, pass-through entity, expenditure reporting and recognition requirements of the grant and well as all compliance requirements associated with the grants. A master list of all grants and awarding documents should be maintained. Modified accrual accounting should be followed in the funds financial statements with full accrual reporting in the government wide financials. These reporting methods then must be reconciled to the expenditure reporting on the schedule of expenditures of federal awards.

Condition:
The County was uncertain as to the source of some funding specifically as to whether it was state or federal funding. There was no master list of grants or progress tracking related to these grants.

Cause:
General lack of understanding of the requirements of state and federal grant reporting. Specifically lack of assignment of an individual in the County Auditor's office or other offices to oversee the grant processes.

Effect:
A prior period adjustment of $212,165 was needed to reduce revenue reported in a prior year and record that revenue in the current year. This adjustment was related to federal program revenue.

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:
The County Auditor or her designee should 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. A master list of all grants should be kept with tracking of all-important dates and amounts related to the grant. The County Auditor's office should maintain a copy of all grant applications and well as notices of grant awards (NOGA) once received from funding agency.

Compliance and Other Matters

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

Purpose of this Report

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

Malnory, McNeal & Company PC
Certified Public Accountants

Paris, Texas
April 30, 2019

Kayla Hall
(903) 737-2417

119 N Main, Room B05
Paris, Texas 75460

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 previous external audit for the year ended September 30, 2018, the following corrective actions have implemented by Lamar County.

Finding: 2017-001
The September 30, 2017 audit disclosed a material weakness in internal control procedures related to financial processes as well as month end and year end financial statement closing procedures. Significant adjusting entries were needed at year end to properly report the fiscal years activity and balances at September 30, 2017. Our progress of corrective action is reported below:

1. **Internal Audits of County Offices (partially corrected)**
   Recommendations: The County Auditor's office should have a detailed understanding of the systems in place at various offices of the elected officials and should perform and document, at least annually, internal audits of each office.
   Action Taken: During the fiscal year, the County Auditor obtained procedural walk-throughs from each department, but did not schedule the internal audits for the departments during the year. In the future the County Auditor will create a plan and schedule for conducting independent audit work in each County office that takes in money. The County Auditor or her designee will conduct these audits at least annually.
2. **Federal and State Grant Proceeds and Expenditures (partially corrected)**
   Recommendations: The County Auditor or designee should perform internal audits of the financial accounting and compliance reporting for revenues and expenditures of grants. The auditor's offices should provide guidance to departments involved in the expenditure of grant awards as to proper documentation related to each award. A master list of all grants should be kept with tracking of all important dates and amounts related to the grant. The County Auditor's office should maintain a copy of all grant applications as well as notices of grant awards (NOGA) once received from funding agency.
   Action taken: Training was initiated on this matter but was incomplete at year end. The County Auditor will assign someone in the office to be in charge of internal audits for federal and state grants and to ensure documentation is being properly kept and proceeds and expenditures properly accounted for and reported. The Auditor will also create a master list of grants that can be used to keep up with all upcoming and ongoing grants and ensure that necessary documents such as NOGAs are readily available for each grant the county receives.
3. **Journal entries** - corrective action has been taken
4. **Bank reconciliations** - corrective action has been taken

5. **Monthly reporting verification** - corrective action has been taken
6. **Payroll** - corrective action has been taken
7. **Journal entries** - corrective action has been taken
8. **Invoices for expenditures** - corrective action has been taken

Kayla Hall

Kayla Hall
Lamar County Auditor

Kayla Hall
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119 N Main, Room B05
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COUNTY AUDITOR
OF
LAMAR COUNTY

Corrective Action Plan
For the Year End September 30, 2018

As a result of the material weaknesses in internal control which were identified during our most recent external audit for the year ended September 30, 2018, the following corrective actions will be taken by Lamar County henceforth.

Finding 2018-001

Internal audits

Recommendations: perform internal audits on all departments of the county annually
Action Taken or Planned: The auditor will create an internal audit schedule to ensure internal audits for all departments which take in money are done at least annually.
Responsible Party: Kayla Hall, County Auditor
Anticipated Completion Date: September 30, 2019

Finding 2018-002

Federal funding

Recommendation: perform internal audits on federal and state grants, keep a master list of all ongoing grants, and have all NOGAs readily available.
Action Taken or Planned: For all future federal funding, the auditor's office will monitor, track, and account for all federal revenue and expenditures in coordination with other related departments involved in the specific projects. A master list will be created and likewise, a file will be created for each grant.
Responsible Party: Kayla Hall, County Auditor
Anticipated Completion Date: September 30, 2019

Kayla Hall

Kayla Hall
Lamar County Auditor