

FREESTONE COUNTY, TEXAS

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2018*



**Davis, Heinemann & Company, P.C.**

*Certified Public Accountants*

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*Introductory Section*

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Freestone 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' Court  
Freestone County, Texas  
118 East Commerce  
Fairfield, Texas 75840

**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 Freestone 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 Freestone 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, Freestone 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.

## **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 the County's Net Pension Liability Related Ratios, Schedule of County Pension Contributions, and Schedules of Changes in the County's 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining 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 May 21, 2019 on our consideration of Freestone County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Freestone County, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

*Davis, Heinemann + Co.*

Davis, Heinemann & Company, P.C.

Huntsville, Texas  
May 21, 2019

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Freestone 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 \$11,300,752 at September 30, 2018.
- During the year, the County's expenses were \$93,821 less than the \$10,884,156 generated in taxes, charges for services, operating grants and other revenues for governmental activities.
- The total cost of the County's programs was \$10,790,335.
- The general fund reported a fund balance this year of \$8,336,354.

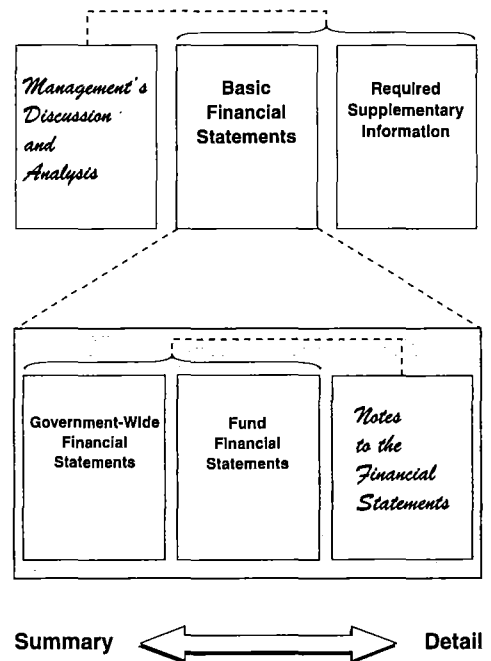
### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detail. Following the statements is a section of *required supplementary information* that further explains and supports information in the financial statements. Figure A-1 shows the arrangement of the required parts of the annual report and the relationship to one another.

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



## 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. 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 the change. 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 is 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 public service, public safety, public transportation, and general administration. Property taxes, charges for services and grants finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detail 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 when applicable by bond covenants.
- The Commissioner's 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 detail *short-term* view that helps management determine whether there are more or fewer financial resources available to finance the County's programs in the near future. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The County is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net position. The County's combined net position was \$11,300,752 at September 30, 2018. (See Table A-1).

**Table A-1**  
**Freestone County's Net Position**  
*(In thousand of dollars)*

	Governmental Activities		Total Change
	2018	2017	2018-2017
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 2,375.7	\$ 2,862.9	\$ (487.2)
Short Term Investments	1,500.0	8,000.0	(6,500.0)
Property Taxes Receivable	941.2	877.4	63.8
Fines and Fees Receivable	1,653.8	1,295.5	358.3
Intergovernmental Receivables	39.4	0.4	39.0
Other Receivables	0.1	0.1	-
Prepaid Expenses	34.6	11.3	23.3
<b>Total Current Assets:</b>	<u>6,544.8</u>	<u>13,047.6</u>	<u>(6,502.8)</u>
<b>Non-Current Assets:</b>			
Long-term investments	6,700.0	-	6,700.0
Capital Assets	15,123.9	14,634.0	489.9
Less Accumulated Depreciation	<u>(10,613.9)</u>	<u>(10,335.9)</u>	<u>(278.0)</u>
<b>Total Non-Current Assets</b>	<u>11,210.0</u>	<u>4,298.1</u>	<u>6,911.9</u>
<b>Total Assets</b>	<u>17,754.8</u>	<u>17,345.7</u>	<u>409.1</u>
<b>Deferred Outflows of Resources:</b>			
Deferred Outflows Related to Contributions	605.8	527.5	78.3
Deferred Outflows Related to Pensions	180.5	1,452.8	(1,272.3)
Deferred Outflows Related to OPEB	12.4	-	12.4
<b>Total Deferred Outflows of Resources</b>	<u>798.7</u>	<u>1,980.3</u>	<u>(1,181.6)</u>
<b>Current Liabilities:</b>			
Accounts Payable and Accrued Liabilities	566.3	553.5	12.8
Due to Others	15.4	-	15.4
Current Portion of Long-Term Liabilities	45.6	96.4	(50.8)
<b>Total Current Liabilities</b>	<u>627.3</u>	<u>649.9</u>	<u>(22.6)</u>
<b>Long-Term Liabilities:</b>			
Capital Leases	47.2	-	47.2
Compensated Absences	94.4	84.9	9.5
Net Pension Liability	3,203.1	4,511.9	(1,308.8)
Net OPEB Liability	2,883.3	2,653.0	230.3
<b>Total Long-Term Liabilities</b>	<u>6,228.0</u>	<u>7,249.8</u>	<u>(1,021.8)</u>
<b>Total Liabilities</b>	<u>6,855.3</u>	<u>7,899.7</u>	<u>(1,044.4)</u>
<b>Deferred Inflows of Resources:</b>			
Deferred Inflows Related to Pensions	388.4	219.4	169.0
Deferred Inflows Related to OPEB	9.0	-	9.0
<b>Total Deferred Inflows of Resources</b>	<u>397.4</u>	<u>219.4</u>	<u>178.0</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	4,417.2	4,201.7	215.5
Restricted	1,731.8	1,685.1	46.7
Unrestricted	5,151.8	5,320.1	(168.3)
<b>Total Net Position</b>	<u>\$ 11,300.8</u>	<u>\$ 11,206.9</u>	<u>\$ 93.9</u>

**Changes in net position.**

The County's total revenues were \$11,884,156. A significant portion, seventy-three (73) percent of the County's revenue comes from property tax, twenty-one (21) percent comes from charges for services, while six (6) percent relates to operating grants, investment earnings and other income.

The total cost of all programs and services was \$10,790,335; twenty-nine (29) percent of these costs are for public safety, twenty-two (22) percent are for public transportation, fifteen (15) percent are for judicial and elections, fifteen (15) percent are for general administration, and the remaining nineteen (19) percent are for various administration and intergovernmental county costs. (See Table A-2)

**Governmental Activities**

**Table A-2**  
Changes in Freestone County's Net Position  
(In thousand of dollars)

	Governmental Activities		Change 2018-2017
	2018	2017	
Program Revenues:			
Charges for Services	\$ 2,238.0	\$ 2,637.0	\$ (399.0)
Operating Grants and Contributions	273.6	236.9	36.7
General Revenues:			
Property Taxes	7,961.0	8,236.6	(275.6)
Investment Earnings	150.4	98.1	52.3
Gain on Sale of Capital Assets	55.3	24.1	31.2
Other	205.9	299.1	(93.2)
<b>Total Revenues</b>	<b>10,884.2</b>	<b>11,531.8</b>	<b>(647.6)</b>
Program Expenses:			
General Administration	1,648.0	1,690.2	(42.2)
Financial Administration	882.6	876.0	6.6
Public Safety	3,090.3	2,894.9	195.4
Judicial and Elections	1,597.2	1,545.6	51.6
Health & Welfare	450.3	429.2	21.1
Public Transportation	2,410.7	2,435.4	(24.7)
Intergovernmental Expenditures	596.3	595.5	0.8
Waste Disposal	114.9	115.4	(0.5)
<b>Total Expenses</b>	<b>10,790.3</b>	<b>10,582.2</b>	<b>208.1</b>
<b>Change in Net Position</b>	<b>93.9</b>	<b>949.6</b>	<b>(855.7)</b>
Beginning Net Position	13,851.5	12,901.9	949.6
Prior Period Adjustment	(2,644.6)	-	(2,644.6)
<b>Beginning Net Position</b>	<b>\$ 11,300.8</b>	<b>\$ 13,851.5</b>	<b>\$ (2,550.7)</b>

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**General Fund Budgetary Highlights**

Actual expenditures in the General Fund were \$475,822 less than final budget amounts. This was primarily a result of contingency expenditures budgeted but not spent.

On the other hand, amounts available for appropriation were \$336,593 less than final budget amounts. This was primarily the result of lower property taxes and tax collection revenues.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of September 30, 2018, the County had invested \$15,123,953 in a broad range of capital assets, including infrastructure, buildings and improvements, equipment, and vehicles. (See Table A-3)

**Table A-3**  
**Freestone County's Capital Assets**  
*(In thousand of dollars)*

	Governmental Activities		Change
	2018	2017	2018-2017
Capital Assets			
Land	\$ 98.7	\$ 98.7	\$ -
Construction in Progress	252.8	84.6	168.2
Roads and Bridges	1,182.7	1,118.7	64.0
Buildings and Improvements	6,296.1	6,296.1	-
Vehicles	2,359.7	2,131.9	227.8
Machinery and Equipment	4,111.9	4,082.0	29.9
Furniture and Equipment	822.0	822.0	-
Totals at Historical Cost	15,123.9	14,634.0	489.9
Total Accumulated Depreciation	(10,613.9)	(10,335.9)	(278.0)
Net Capital Assets	\$ 4,510.0	\$ 4,298.1	\$ 211.9

**Long Term Debt**

As of September 30, 2018, the County had outstanding debt as shown in Table A-4. More information about the County's debt is in the notes to the financial statements.

**Table A-4**  
**Freestone County's Long-Term Debt**  
*(In thousand of dollars)*

	Governmental Activities		Change
	2018	2017	2018-2017
Debt Payable			
Capital Leases	\$ 92.8	\$ 96.4	\$ (3.6)
Compensated Absences	94.4	84.9	9.5
Net Pension Liability	3,203.1	4,511.9	(1,308.8)
Net OPEB Liability	2,883.3	2,653.0	230.3
Total Long-Term Debt	\$ 6,273.6	\$ 7,346.2	\$ (1,072.6)

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the County Auditor at 118 E. Commerce, Room 209, Fairfield, Texas 75840.



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*Basic Financial Statements*

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**FREESTONE COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 2,375,654
Investments	1,500,000
Taxes Receivable	941,197
Accounts Receivable	100
Due from Other Governments	39,391
Fines and Fees Receivable	1,653,799
Prepaid items	34,670
Long Term Investments	6,700,000
Land	98,670
Construction In Progress	252,806
Other Capital Assets, Net of Accumulated Depreciation	4,158,514
<b>Total Assets</b>	<u><b>17,754,801</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Outflows - OPEB Contributions	13,650
Deferred Outflows - Pension Contributions	592,124
Deferred Outflows - Other Pension	180,512
Deferred Outflows - OPEB	12,391
<b>Total Deferred Outflows of Resources</b>	<u><b>798,677</b></u>
<b>LIABILITIES:</b>	
Accounts Payable	451,519
Due to Others	15,400
Accrued Liabilities	114,718
Noncurrent Liabilities	
Due within one year	45,561
Due in more than one year	141,645
Net Pension Liability	3,203,080
Net OPEB Liability	2,883,355
<b>Total Liabilities</b>	<u><b>6,855,278</b></u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Inflows - Pension	388,433
Deferred Inflows - OPEB	9,015
<b>Total Deferred Inflows of Resources</b>	<u><b>397,448</b></u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	4,417,199
Restricted For:	
Special Revenue	1,731,824
Unrestricted	5,151,729
<b>Total Net Position</b>	<u><b>\$ 11,300,752</b></u>

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
<b>PRIMARY GOVERNMENT:</b>				
Governmental Activities:				
General Administration	\$ 1,648,051	\$ 473,109	\$ 49,888	\$ (1,125,054)
Financial Administration	882,593	199,382	-	(683,211)
Public Safety	3,090,318	81,501	41,115	(2,967,702)
Judicial	1,597,185	714,692	61,620	(820,873)
Health and Welfare	450,265	6,090	121,000	(323,175)
Public Transportation	2,410,749	625,866	-	(1,784,883)
Intergovernmental Expenditures	596,300	110,924	-	(485,376)
Waste Disposal	114,874	26,402	-	(88,472)
Total Governmental Activities	<u>10,790,335</u>	<u>2,237,966</u>	<u>273,623</u>	<u>(8,278,746)</u>
Total Primary Government	<u>\$ 10,790,335</u>	<u>\$ 2,237,966</u>	<u>\$ 273,623</u>	<u>(8,278,746)</u>
General Revenues:				
Property Taxes				7,961,049
Interest and Royalty Income				150,361
Other Income				205,883
Gain/Loss on Sale of Capital Assets				55,274
Total General Revenues				<u>8,372,567</u>
Change in Net Position				93,821
Net Position - Beginning				13,851,511
Prior Period Adjustment				(2,644,580)
Net Position - Ending				<u>\$ 11,300,752</u>

The accompanying notes are an integral part of this statement.

**FREESTONE COUNTY, TEXAS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Road and Bridge Fund Precinct 1</u>	<u>Road and Bridge Fund Precinct 2</u>
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 558,158	\$ 508,482	\$ 410,238
Investments	1,500,000	-	-
Taxes Receivable	703,340	59,464	59,465
Accounts Receivable	100	-	-
Due from Other Funds	9,137	-	-
Due from Other Governments	29,283	-	-
Prepaid items	34,670	-	-
Long Term Investments	6,700,000	-	-
<b>Total Assets</b>	<u>\$ 9,534,688</u>	<u>\$ 567,946</u>	<u>\$ 469,703</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 407,093	\$ 978	\$ 11,902
Accrued Liabilities	87,901	3,986	4,069
Due to Other Funds	-	-	-
Due to Others	-	-	-
<b>Total Liabilities</b>	<u>494,994</u>	<u>4,964</u>	<u>15,971</u>
<b>Deferred Inflows of Resources:</b>			
Deferred Inflows - Property Taxes	703,340	59,464	59,465
<b>Total Deferred Inflows of Resources</b>	<u>703,340</u>	<u>59,464</u>	<u>59,465</u>
<b>Fund Balances:</b>			
<b>Restricted</b>			
Special Revenue	-	503,518	394,267
Unassigned	8,336,354	-	-
<b>Total Fund Balance</b>	<u>8,336,354</u>	<u>503,518</u>	<u>394,267</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 9,534,688</u>	<u>\$ 567,946</u>	<u>\$ 469,703</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Road and Bridge Fund Precinct 3	Road and Bridge Fund Precinct 4	Other Governmental Funds	Total Governmental Funds
\$ 275,321	\$ 331,732	\$ 291,723	\$ 2,375,654
-	-	-	1,500,000
59,464	59,464	-	941,197
-	-	-	100
-	-	-	9,137
-	-	10,108	39,391
-	-	-	34,670
-	-	-	6,700,000
<u>\$ 334,785</u>	<u>\$ 391,196</u>	<u>\$ 301,831</u>	<u>\$ 11,600,149</u>
\$ 18,411	\$ 5,021	\$ 8,114	\$ 451,519
5,156	4,239	9,367	114,718
-	-	9,137	9,137
-	-	15,400	15,400
<u>23,567</u>	<u>9,260</u>	<u>42,018</u>	<u>590,774</u>
59,464	59,464	-	941,197
<u>59,464</u>	<u>59,464</u>	<u>-</u>	<u>941,197</u>
251,754	322,472	259,813	1,731,824
-	-	-	8,336,354
<u>251,754</u>	<u>322,472</u>	<u>259,813</u>	<u>10,068,178</u>
<u>\$ 334,785</u>	<u>\$ 391,196</u>	<u>\$ 301,831</u>	<u>\$ 11,600,149</u>



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**FREESTONE 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	\$ 10,068,178
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,509,990
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	941,197
Payables for capital leases which are not due in the current period are not reported in the funds.	(92,792)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(94,415)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	1,653,799
Recognition of the County's proportionate share of the net pension liability is not reported in the funds.	(3,203,080)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(388,433)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	772,636
Recognition of the County's proportionate share of the net OPEB liability is not reported in the funds.	(2,883,355)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(9,015)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>26,041</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 11,300,752</u>

The accompanying notes are an integral part of this statement.

# FREESTONE COUNTY, TEXAS

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

	General Fund	Road and Bridge Fund Precinct 1	Road and Bridge Fund Precinct 2
<b>Revenue:</b>			
Property Taxes	\$ 5,940,409	\$ 489,209	\$ 489,212
Intergovernmental	240,600	-	-
Charges for Services	934,961	153,986	144,770
Waste Disposal	26,402	-	-
Interest and Royalty Income	148,848	388	399
Other	208,917	118,754	19,138
<b>Total Revenues</b>	<u>7,500,137</u>	<u>762,337</u>	<u>653,519</u>
<b>Expenditures:</b>			
General Administration	1,527,254	-	-
Financial Administration	847,052	-	-
Public Safety	3,136,990	-	-
Judicial	1,371,216	-	-
Health and Welfare	430,683	-	-
Public Transportation	-	677,835	719,857
Intergovernmental Expenditures	596,300	-	-
Waste Disposal	110,448	-	-
<b>Total Expenditures</b>	<u>8,019,943</u>	<u>677,835</u>	<u>719,857</u>
<b>Excess (Deficiency) of Revenues     Over (Under) Expenditures</b>	<u>(519,806)</u>	<u>84,502</u>	<u>(66,338)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers In	-	-	-
Transfers Out	(18,000)	-	-
Capital Leases	-	149,811	-
<b>Total Other Financing Sources (Uses)</b>	<u>(18,000)</u>	<u>149,811</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(537,806)</u>	<u>234,313</u>	<u>(66,338)</u>
Fund Balances - Beginning	8,874,160	269,205	460,605
Fund Balances - Ending	<u>\$ 8,336,354</u>	<u>\$ 503,518</u>	<u>\$ 394,267</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Road and Bridge Fund Precinct 3	Road and Bridge Fund Precinct 4	Other Governmental Funds	Total Governmental Funds
\$ 489,211	\$ 489,210	\$ -	\$ 7,897,251
-	-	16,813	257,413
153,986	153,986	154,232	1,695,921
-	-	-	26,402
242	354	130	150,361
14,913	11,944	84,577	458,243
<u>658,352</u>	<u>655,494</u>	<u>255,752</u>	<u>10,485,591</u>
-	-	146,260	1,673,514
-	-	-	847,052
-	-	18,085	3,155,075
-	-	117,887	1,489,103
-	-	14,512	445,195
550,747	623,218	-	2,571,657
-	-	-	596,300
-	-	-	110,448
<u>550,747</u>	<u>623,218</u>	<u>296,744</u>	<u>10,888,344</u>
<u>107,605</u>	<u>32,276</u>	<u>(40,992)</u>	<u>(402,753)</u>
-	-	18,000	18,000
-	-	-	(18,000)
-	-	-	149,811
<u>-</u>	<u>-</u>	<u>18,000</u>	<u>149,811</u>
107,605	32,276	(22,992)	(252,942)
144,149	290,196	282,805	10,321,120
<u>\$ 251,754</u>	<u>\$ 322,472</u>	<u>\$ 259,813</u>	<u>\$ 10,068,178</u>

**FREESTONE 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	\$ (252,942)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	682,909
The depreciation of capital assets used in governmental activities is not reported in the funds.	(447,556)
The gain or loss on the sale of capital assets is not reported in the funds.	55,274
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(78,773)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	63,798
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	153,465
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(9,531)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	358,266
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(149,811)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(59,529)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(221,749)
Change in net position of governmental activities - Statement of Activities	<u>\$ 93,821</u>

The accompanying notes are an integral part of this statement.

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

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and Cash Equivalents	\$ 1,785,337
Total Assets	<u>\$ 1,785,337</u>
<b>LIABILITIES:</b>	
Accounts Payable	\$ 10,441
Due to Others	962,824
Due to Other Governments	812,072
Total Liabilities	<u>\$ 1,785,337</u>

The accompanying notes are an integral part of this statement.

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**FREESTONE COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

A. Summary of Significant Accounting Policies

The combined financial statements of Freestone 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 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 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.



**FREESTONE COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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.

In addition, the County reports the following fund types:

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

b. **Measurement Focus, Basis of Accounting**

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

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. 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 Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed

**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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 weighted average cost. Inventory items are recorded as expenditures when they are consumed.

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

c. Capital Assets

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

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

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

d. Receivable and Payable Balances

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

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 Municipal Retirement System (TMRS) and additions to or deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. 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.

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

**FREESTONE COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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 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.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the County's Commissioners' Court. Committed amounts cannot be used for any other purpose unless the Commissioners' Court 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' Court. 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' Court or by an official or body to which the Commissioners' Court 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.

h. Estimates

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

4. New Accounting Standards Adopted

In fiscal year 2018, the County adopted a new financial accounting standard issued by the Governmental Accounting Standards Board (GASB):

*Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 75.

**B. Compliance and Accountability**

**1. Finance-Related Legal and Contractual Provisions**

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

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

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
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 \$10,552,077 and the bank balance was \$10,449,239. 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.

The County also holds funds in TexPool, a public funds investment pool. The balance at September 30, 2018 was \$22,865, and is classified as cash equivalents on the financial statements.

**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

**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Rate</u>	<u>Fair Value</u>
Certificate of Deposit	07/03/19	1.90%	\$ 1,000,000
Certificate of Deposit	06/14/19	1.90%	500,000
Certificate of Deposit	12/17/19	1.41%	500,000
Certificate of Deposit	07/21/19	1.90%	1,000,000
Certificate of Deposit	07/21/19	1.90%	500,000
Certificate of Deposit	07/21/19	1.90%	500,000
Certificate of Deposit	07/29/19	1.90%	500,000
Certificate of Deposit	08/12/19	1.90%	500,000
Certificate of Deposit	08/12/19	1.90%	1,000,000
Certificate of Deposit	09/14/19	1.90%	600,000
Certificate of Deposit	09/14/19	1.90%	600,000
Certificate of Deposit	04/08/19	1.90%	1,000,000
<b>Total Investments</b>			<b>\$ 8,200,000</b>

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

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The County presently has no recurring fair value measurements.

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.

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.

**FREESTONE COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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.

**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**D. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 98,670	\$ -	\$ -	\$ 98,670
Construction in progress	84,585	168,221	-	252,806
Total capital assets not being depreciated	<u>183,255</u>	<u>168,221</u>	<u>-</u>	<u>351,476</u>
Capital assets being depreciated:				
Road & Bridges	1,118,698	64,000	-	1,182,698
Buildings & Improvements	6,296,152	-	-	6,296,152
Furniture & Equipment	821,988	-	-	821,988
Machinery & Heavy Equipment	4,081,987	216,833	186,881	4,111,939
Vehicles	2,131,945	233,855	6,100	2,359,700
Total capital assets being depreciated	<u>14,450,770</u>	<u>514,688</u>	<u>192,981</u>	<u>14,772,477</u>
Less accumulated depreciation for:				
Road & Bridges	(182,637)	(29,567)	-	(212,204)
Buildings & Improvements	(4,221,839)	(92,716)	-	(4,314,555)
Furniture & Equipment	(773,529)	(15,739)	-	(789,268)
Machinery & Heavy Equipment	(3,143,950)	(180,937)	(163,381)	(3,161,506)
Vehicles	(2,013,933)	(128,597)	(6,100)	(2,136,430)
Total accumulated depreciation	<u>(10,335,888)</u>	<u>(447,556)</u>	<u>(169,481)</u>	<u>(10,613,963)</u>
Total capital assets being depreciated, net	<u>4,114,882</u>	<u>67,132</u>	<u>23,500</u>	<u>4,158,514</u>
Governmental activities capital assets, net	<u>\$ 4,298,137</u>	<u>\$ 235,353</u>	<u>\$ 23,500</u>	<u>\$ 4,509,990</u>

Depreciation was charged to functions as follows:

General Government	\$ 9,328
Public Safety	76,762
Public Transportation	258,145
Intergovernmental	103,321
	<u>\$ 447,556</u>

**E. Interfund Balances and Activity**

**1. Due To and From Other Funds**

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 9,137	Short-term loans
	Total	<u>\$ 9,137</u>	

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

**FREESTONE COUNTY, TEXAS**  
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2. 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	Other Governmental Funds	\$ 18,000	Supplement other funds sources
	Total	\$ 18,000	

F. Long-Term Obligations

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
<u>Governmental activities:</u>					
Capital leases	\$ 96,446	\$ 149,811	\$ 153,465	\$ 92,792	\$ 45,561
Compensated absences *	84,884	9,531	-	94,415	-
Net Pension Liability *	4,511,853	4,908,601	6,217,374	3,203,080	-
Net OPEB Liability *	2,653,000	275,172	44,817	2,883,355	-
Total governmental activities	\$ 7,346,183	\$ 5,343,115	\$ 6,415,656	\$ 6,273,642	\$ 45,561

\* 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 Fund
Net Pension Liability	Governmental	General Fund
Net OPEB Liability	Governmental	General Fund

2. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of September 30, 2018, as follows:

<u>Year Ending September 30:</u>	
2019	\$ 48,958
2020	48,958
Total Minimum Rentals	\$ 97,916
Rental Expenditures in 2018	\$ 153,465

The effective interest rate on capital leases is 3.710%.

G. 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



**FREESTONE COUNTY, TEXAS**  
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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.

H. Pension Plan

1. Plan Description

The County participates in a nontraditional defined benefit pension plan, Texas County and District Retirement System (TCDRS), that provides pensions for all its full-time employees. The TCDRS Board of Trustees is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of more than 760 participating employers. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034 Austin, Texas, 78768.

All eligible employees of the County are required to participate in TCDRS.

2. Benefits Provided

TCDRS provides retirement, disability, and death benefits. The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire with eight or more years of service at age 60 and above, with 30 years of service at any age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

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

The Plan is open to new entrants.

3. Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	104
Inactive employees entitled to but not yet receiving benefits	133
Active employees	<u>132</u>
Total covered employees	<u><u>369</u></u>

4. Contributions

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed \$765,767 using the actuarially determined rate of 16.03 percent for the calendar year 2017 and 17.64 percent for calendar year 2018.

**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The contribution rate payable by the employee for the calendar year 2017 was 7.0% as adopted by the Commissioners' Court. The employee contribution rate and the County contribution rate may be changed by the Commissioners' Court within the options available in the TCDRS Act.

5. Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75%
Payroll growth	3.25%
Real rate of return	5.25%
Long-term Investment Return	8.00%

Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2017, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except where required to be different by GASB 68. In addition, mortality rates were based on the following mortality tables.

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The numbers shown are based on January 2018 information for a 10 year time horizon. The valuation assumptions for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30 year time horizon. The most recent analysis was performed in 2017. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
US Equities	11.50%	4.55%
Private Equities	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities - Developed Markets	11.00%	4.55%
International Equities - Emerging Markets	8.00%	5.55%
High Yield Bonds	3.00%	0.75%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships (MLPs)	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The discount rate was determined using an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the funding policy and the legal requirements under the TCDRS Act. 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. The employer is legally required to make the contribution specified in the funding policy. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost. 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 assumptions, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected levels of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8.00%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

6. Plan Fiduciary Net Position

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 27,899,938	\$ 23,388,085	\$ 4,511,853
Changes for the year			
Service cost	555,270	-	555,270
Interest	2,232,536	-	2,232,536
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	76,147	-	76,147
Effect of assumptions changes or inputs	194,621	-	194,621
Refunds of contributions	(62,769)	(62,769)	-
Benefit payments	(1,758,775)	(1,758,775)	-
Contributions - employer	-	692,760	(692,760)
Contributions - employee	-	302,516	(302,516)
Net investment income	-	3,400,554	(3,400,554)
Administrative expense	-	(17,247)	17,247
Other changes	-	(11,236)	11,236
Net changes	1,237,030	2,545,803	(1,308,773)
Balance at 12/31/2017	\$ 29,136,968	\$ 25,933,888	\$ 3,203,080

Sensitivity Analysis:

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Total pension liability	\$ 32,334,669	\$ 29,136,968	\$ 26,395,980
Fiduciary net position	25,933,888	25,933,888	25,933,888
Net pension liability	\$ 6,400,781	\$ 3,203,080	\$ 462,092

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

For the fiscal year ended September 30, 2018, the County recognized pension expense of \$825,294.

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	\$ 50,765	\$ 49,181
Changes in actuarial assumptions	129,747	-
Difference between projected and actual investment earnings	-	339,252
Contributions subsequent to the measurement date	592,124	-
Total	\$ 772,636	\$ 388,433

**FREESTONE COUNTY, TEXAS**  
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The \$592,124 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 September 30:		
2019	\$	191,862
2020	\$	189,047
2021	\$	(280,817)
2022	\$	(308,013)
2023	\$	-
Thereafter	\$	-

I. Postemployment Benefits Other Than Pensions (OPEB)

Texas County and District Retirement System Group Term Life

1. Plan Description

The County participates in the Texas County and District Retirement System (TCDRS) defined benefit group-term life insurance program known as the Group Term Life (GTL). This is a voluntary program in which participating member counties may elect to provide group-term life insurance coverage for their active members, including retirees. As the GTL program covers both active and retiree participants, with no segregation of assets, the GTL fund is considered to be an unfunded OPEB plan and does not meet the definition of trust under GASB No. 75, Paragraph 4. The member county contributes to the GTL program at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one year term life insurance. The funding policy for the GTL program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

2. Benefits Provided

The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program. The OPEB benefit is a fixed \$5,000 lump sum benefit. Benefit terms are established under the TCDRS Act. Participation in the retiree plan is optional and the employer may elect to opt out (or opt into) coverage as of January 1 of each year.

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

Inactive employees or beneficiaries currently receiving benefits	84
Inactive employees entitled to but not yet receiving benefits	30
Active employees	132
Total covered employees	<u>246</u>

3. Total OPEB Liability

The County's OPEB liability of \$395,759 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date, calculated based on the discount rate and actuarial assumptions.

Actuarial assumptions:

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

**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Valuation Date	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	Straight-line amortization over Expected Working Life
Investment Rate of Return	3.44%
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

4. Changes in the Total OPEB Liability

Total OPEB liability - beginning of year	\$	378,466
Changes for the year:		
Service cost		9,841
Interest on total OPEB liability		14,468
Changes of benefit terms		-
Differences between expected and actual experience		(11,269)
Changes in assumptions or other inputs		15,489
Benefit payments		(11,236)
Net changes		<u>17,293</u>
Total OPEB liability - end of year	\$	<u>395,759</u>

5. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the County, calculated using the discount rate of 3.44%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.44%) or 1-percentage-point higher (4.44%) than the current rate:

	1% Decrease in Discount Rate 2.44%	Discount Rate 3.44%	1% Increase in Discount Rate 4.44%
County's total OPEB liability	\$ 467,123	\$ 395,759	\$ 339,670

6. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the County recognized OPEB expense of \$25,153. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Deferred Outflows of Resources	Deferred Inflows of of Resources
Differences between expected and actual experience	\$ -	\$ 9,015
Changes in assumptions and other inputs	12,391	-
Contributions subsequent to the measurement date	13,650	-
Total	<u>\$ 26,041</u>	<u>\$ 9,015</u>

Contributions subsequent to the measurement date of \$13,650 reported as deferred outflows of resources related to OPEB will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended September 30:	
2019	\$ 844
2020	844
2021	844
2022	844
2023	-
Thereafter	-
Total	<u>\$ 3,376</u>

Retiree Health Plan

1. Plan Description

The County provides medical benefits to eligible retirees when they reach Medicare eligibility. Each regular employee who has 12 years or more of continuous service as a full time Freestone County employee will be eligible for the Medicare Supplement furnished by the County when they reach age 65.

2. Benefits Provided

The County provides medical benefits to eligible retirees when they reach Medicare eligibility. The County pays the individual Medicare supplement premium from age 65 for the life of the retiree as long as the coverage is continued.

At the September 30, 2018 valuation and measurement date, the following individuals were covered by the benefit terms:

	Single Only	Dependent Coverage
Active	67	16
Retired	11	-
Total	<u>78</u>	<u>16</u>

3. Total OPEB Liability

The County's OPEB liability of \$2,487,596 was measured as of September 30, 2018, and was determined by an actuarial valuation as of that date, calculated based on the discount rate and actuarial assumptions.

Actuarial assumptions:

The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Inflation	3.00% per year
Salary scale	3.50%
Mortality table	RPH-2014 Total Table with Projection MP-2018
Discount rate	4.06% (1.06% real rate of return plus 3.00% inflation)
Disability	None assumed
Health care cost trend	Level 5.00%

Since there are no assets held in trust, the discount rate was based on the Bond Buyer GO-20 bond index. At the time of the valuation, the rate was trending towards 4.00%. The discount rate selected for the valuation was 4.06%.

4. Changes in the Total OPEB Liability

Total OPEB liability - beginning of year	\$ 2,274,534
Changes for the year:	
Service cost	148,932
Interest on total OPEB liability	97,711
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	(33,581)
Net changes	<u>213,062</u>
Total OPEB liability - end of year	<u>\$ 2,487,596</u>

5. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the County, calculated using the discount rate of 4.06%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.06%) or 1-percentage-point higher (5.06%) than the current rate:

	1% Decrease in Discount Rate 3.06%	Discount Rate 4.06%	1% Increase in Discount Rate 5.06%
County's total OPEB liability	\$ 2,966,704	\$ 2,487,596	\$ 2,105,878

The following presents the total OPEB liability of the County, calculated using the trend rate of 5.00%, as well as what the County's total OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower (4.00%) or 1-percentage-point higher (6.00%) than the current rate:

	1% Decrease in Trend Rate 4.00%	Trend Rate 5.00%	1% Increase in Trend Rate 6.00%
County's total OPEB liability	\$ 2,059,693	\$ 2,487,596	\$ 3,045,550

6. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the County recognized OPEB expense of \$246,643. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



**FREESTONE COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Deferred Outflows of Resources	Deferred Inflows of of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions and other inputs	-	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>\$ -</u>

Since the measurement and valuation dates are as of September 30, 2018, which is the same date as the County's fiscal year end, the County does not have any contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB that will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended September 30:	
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-
Total	<u>\$ -</u>

**J. Health Care Coverage**

During the year ended September 30, 2018, employees of the County were covered by a health insurance plan (the Plan). The County paid premiums of \$760 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the County and the third party administrator is renewable October 1, and terms of coverage and premium costs are included in the contractual provisions.

**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.

**FREESTONE COUNTY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

L. Subsequent Events

The County did not have any subsequent events through May 21, 2019, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended September 30, 2018.

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## *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.

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**FREESTONE COUNTY, TEXAS**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 6,132,880	\$ 6,132,880	\$ 5,940,409	\$ (192,471)
Intergovernmental	183,000	183,000	240,600	57,600
Charges for Services	895,850	895,850	934,961	39,111
Waste Disposal	22,000	22,000	26,402	4,402
Interest and Royalty Income	99,512	99,512	148,848	49,336
Other	503,488	503,488	208,917	(294,571)
Total Revenues	<u>7,836,730</u>	<u>7,836,730</u>	<u>7,500,137</u>	<u>(336,593)</u>
Expenditures:				
General Administration	2,074,543	1,859,336	1,527,254	332,082
Financial Administration	869,959	867,330	847,052	20,278
Public Safety	3,130,585	3,198,490	3,136,990	61,500
Judicial	1,309,683	1,415,149	1,371,216	43,933
Health and Welfare	447,299	445,765	430,683	15,082
Intergovernmental Expenditures	576,900	596,301	596,300	1
Waste Disposal	107,783	113,394	110,448	2,946
Total Expenditures	<u>8,516,752</u>	<u>8,495,765</u>	<u>8,019,943</u>	<u>475,822</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(680,022)</u>	<u>(659,035)</u>	<u>(519,806)</u>	<u>139,229</u>
Other Financing Sources (Uses):				
Transfers Out	-	(18,000)	(18,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(18,000)</u>	<u>(18,000)</u>	<u>-</u>
Net Change in Fund Balances	<u>(680,022)</u>	<u>(677,035)</u>	<u>(537,806)</u>	<u>139,229</u>
Fund Balances - Beginning	8,874,160	8,874,160	8,874,160	-
Fund Balances - Ending	<u>\$ 8,194,138</u>	<u>\$ 8,197,125</u>	<u>\$ 8,336,354</u>	<u>\$ 139,229</u>

**FREESTONE COUNTY, TEXAS**  
ROAD AND BRIDGE FUND - PCT 1  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

**EXHIBIT B-2**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 509,000	\$ 509,000	\$ 489,209	\$ (19,791)
Charges for Services	165,000	165,000	153,986	(11,014)
Interest and Royalty Income	-	-	388	388
Other	-	-	118,754	118,754
Total Revenues	<u>674,000</u>	<u>674,000</u>	<u>762,337</u>	<u>88,337</u>
Expenditures:				
Public Transportation	958,000	958,000	677,835	280,165
Total Expenditures	<u>958,000</u>	<u>958,000</u>	<u>677,835</u>	<u>280,165</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(284,000)</u>	<u>(284,000)</u>	<u>84,502</u>	<u>368,502</u>
Other Financing Sources (Uses):				
Capital Leases	-	-	149,811	149,811
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>149,811</u>	<u>149,811</u>
Net Change in Fund Balances	(284,000)	(284,000)	234,313	518,313
Fund Balances - Beginning	269,205	269,205	269,205	-
Fund Balances - Ending	<u>\$ (14,795)</u>	<u>\$ (14,795)</u>	<u>\$ 503,518</u>	<u>\$ 518,313</u>

**FREESTONE COUNTY, TEXAS**  
ROAD AND BRIDGE FUND - PCT 2  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

**EXHIBIT B-3**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 509,000	\$ 509,000	\$ 489,212	\$ (19,788)
Charges for Services	165,000	165,000	144,770	(20,230)
Interest and Royalty Income	-	-	399	399
Other	-	-	19,138	19,138
Total Revenues	<u>674,000</u>	<u>674,000</u>	<u>653,519</u>	<u>(20,481)</u>
Expenditures:				
Public Transportation	1,064,000	1,049,190	719,857	329,333
Total Expenditures	<u>1,064,000</u>	<u>1,049,190</u>	<u>719,857</u>	<u>329,333</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(390,000)</u>	<u>(375,190)</u>	<u>(66,338)</u>	<u>308,852</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(390,000)</u>	<u>(375,190)</u>	<u>(66,338)</u>	<u>308,852</u>
Fund Balances - Beginning	460,605	460,605	460,605	-
Fund Balances - Ending	<u>\$ 70,605</u>	<u>\$ 85,415</u>	<u>\$ 394,267</u>	<u>\$ 308,852</u>



**FREESTONE COUNTY, TEXAS**  
**ROAD AND BRIDGE FUND - PCT 3**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**EXHIBIT B-4**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 509,000	\$ 509,000	\$ 489,211	\$ (19,789)
Charges for Services	165,000	165,000	153,986	(11,014)
Interest and Royalty Income	-	-	242	242
Other	45,000	45,000	14,913	(30,087)
Total Revenues	<u>719,000</u>	<u>719,000</u>	<u>658,352</u>	<u>(60,648)</u>
Expenditures:				
Public Transportation	864,000	719,000	550,747	168,253
Total Expenditures	<u>864,000</u>	<u>719,000</u>	<u>550,747</u>	<u>168,253</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(145,000)</u>	<u>-</u>	<u>107,605</u>	<u>107,605</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(145,000)</u>	<u>-</u>	<u>107,605</u>	<u>107,605</u>
Fund Balances - Beginning	144,149	144,149	144,149	-
Fund Balances - Ending	<u>\$ (851)</u>	<u>\$ 144,149</u>	<u>\$ 251,754</u>	<u>\$ 107,605</u>

**FREESTONE COUNTY, TEXAS**  
**ROAD AND BRIDGE FUND - PCT 4**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**EXHIBIT B-5**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property Taxes	\$ 509,000	\$ 509,000	\$ 489,210	\$ (19,790)
Charges for Services	165,000	165,000	153,986	(11,014)
Interest and Royalty Income	-	-	354	354
Other	-	-	11,944	11,944
Total Revenues	<u>674,000</u>	<u>674,000</u>	<u>655,494</u>	<u>(18,506)</u>
Expenditures:				
Public Transportation	1,004,000	1,004,000	623,218	380,782
Total Expenditures	<u>1,004,000</u>	<u>1,004,000</u>	<u>623,218</u>	<u>380,782</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(330,000)</u>	<u>(330,000)</u>	<u>32,276</u>	<u>362,276</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(330,000)	(330,000)	32,276	362,276
Fund Balances - Beginning	290,196	290,196	290,196	-
Fund Balances - Ending	<u>\$ (39,804)</u>	<u>\$ (39,804)</u>	<u>\$ 322,472</u>	<u>\$ 362,276</u>

**FREESTONE COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN THE COUNTY'S**  
**NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	Measurement Year			
	2017	2016	2015	2014
<b>Total pension liability:</b>				
Service cost	\$ 555,270	\$ 630,023	\$ 603,276	\$ 638,281
Interest	2,232,536	2,139,569	2,061,482	1,966,556
Changes of benefit terms	-	-	(51,074)	-
Differences between expected and actual experience	76,147	(147,543)	303,503	(133,457)
Changes of assumptions	194,621	-	(262,956)	-
Benefit payments, including refunds of employee contributions	(1,821,545)	(1,623,708)	(1,537,087)	(1,280,027)
<b>Net change in total pension liability</b>	<b>1,237,029</b>	<b>998,341</b>	<b>1,117,144</b>	<b>1,191,353</b>
Total pension liability - beginning	27,899,938	26,901,597	25,784,453	24,593,100
Total pension liability - ending (a)	<u>\$ 29,136,967</u>	<u>\$ 27,899,938</u>	<u>\$ 26,901,597</u>	<u>\$ 25,784,453</u>
<b>Plan fiduciary net position:</b>				
Contributions - employer	\$ 692,760	\$ 702,216	\$ 661,664	\$ 667,448
Contributions - employee	302,516	304,369	300,947	302,251
Net investment income	3,400,554	1,652,724	(32,069)	1,527,575
Benefit payments, including refunds of employee contributions	(1,821,545)	(1,623,708)	(1,537,087)	(1,280,027)
Administrative expense	(17,247)	(17,995)	(16,389)	(17,409)
Other	(11,236)	(46,290)	(165,481)	(17,661)
Net change in plan fiduciary net position	2,545,802	971,316	(788,415)	1,182,177
Plan fiduciary net position - beginning	23,388,085	22,416,769	23,205,184	22,023,007
Plan fiduciary net position - ending (b)	<u>\$ 25,933,887</u>	<u>\$ 23,388,085</u>	<u>\$ 22,416,769</u>	<u>\$ 23,205,184</u>
County's net pension liability - ending (a) - (b)	<u>\$ 3,203,080</u>	<u>\$ 4,511,853</u>	<u>\$ 4,484,828</u>	<u>\$ 2,579,269</u>
Plan fiduciary net position as a percentage of the total pension liability	89.01%	83.83%	83.33%	90.00%
Covered-employee payroll	\$ 4,321,660	\$ 4,348,122	\$ 4,282,014	\$ 4,317,878
County's net pension liability as a percentage of covered-employee payroll	74.12%	103.77%	104.74%	59.73%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**FREESTONE COUNTY, TEXAS**  
 SCHEDULE OF COUNTY CONTRIBUTIONS  
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS \*

	Fiscal Year			
	2018	2017	2016	2015
Actuarially determined contribution	\$ 765,767	\$ 687,490	\$ 659,002	\$ 667,448
Contributions in relation to the actuarially determined contribution	(765,767)	(687,490)	(661,664)	(667,448)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,662)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,438,053	\$ 4,280,967	\$ 4,282,014	\$ 4,317,878
Contributions as a percentage of covered-employee payroll	17.25%	16.06%	15.39%	15.46%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

**FREESTONE COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN THE COUNTY'S**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

	Measurement Year Ended December 31, <u>2017</u>
Total OPEB liability:	
Service cost	\$ 9,841
Interest	14,468
Changes of benefit terms	-
Effect of economic/demographic experience	(11,269)
Effect of assumption changes or inputs	15,489
Benefit payments	(11,236)
Other	-
Net change in total OPEB liability	<u>17,293</u>
Total OPEB liability - beginning	378,466
Total OPEB liability - ending	<u>\$ 395,759</u>
Covered-employee payroll	\$ 4,321,660
Total OPEB liability as a percentage of covered-employee payroll	9.16%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**FREESTONE COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN THE COUNTY'S**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**RETIREE HEALTH PLAN**  
**LAST TEN FISCAL YEARS \***

	Measurement Year Ended September 30, <u>2018</u>
Total OPEB liability:	
Service cost	\$ 148,932
Interest cost	97,711
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	-
Other changes	-
Benefit payments	<u>(33,581)</u>
Net change in total OPEB liability	213,062
Total OPEB liability - beginning	2,274,534
Total OPEB liability - ending	<u>\$ 2,487,596</u>
Covered-employee payroll	\$ 2,865,188
Total OPEB liability as a percentage of covered-employee payroll	86.82%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

**FREESTONE COUNTY, TEXAS**  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

A. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the County prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Commissioners 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 the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Commissioners' Court.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. 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. All budget appropriations lapse at year end.

B. Pension

Valuation Date:

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

Methods and assumptions used to determine contributions are reported:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	11.4 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Inflation	2.75%
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Changes in Plan Provisions Reflected in 2015: No changes in plan provisions were reflected in the the Schedule of Employer Contributions schedule.

2016: No changes in plan provisions were reflected in the schedule.

2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions 2015: New inflation, mortality and other assumptions were reflected.

2017: New mortality assumptions were reflected.

C. Postemployment Benefits Other than Pension (OPEB)

1. Texas County and District Retirement System

Valuation Date:

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

Methods and assumptions used to determine contributions are reported:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Straight-line over expected working life
Investment Rate of Return	3.44%
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes of Benefit Terms	There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.
Changes of Assumptions	There were no changes of assumptions that affected measurement of the total OPEB liability during the measurement period.



## 2. Retiree Health Plan

### Valuation Date:

The total OPEB liability was determined based on a valuation and measurement date of September 30, 2018.

Methods and assumptions used to determine contributions are reported:

Inflation	3.00% per year
Salary scale	3.50%
Mortality table	RPH-2014 Total Table with Projection MP-2018
Discount rate	4.06% (1.06% real rate of return plus 3.00% inflation)
Disability	None assumed
Health care cost trend	Level 5.00%

*Combining Statements and Budget  
Comparisons as Supplementary  
Information*

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

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**FREESTONE COUNTY, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2018

	Special Revenue Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
<b>ASSETS AND OTHER DEBITS</b>		
Assets:		
Cash and Cash Equivalents	\$ 291,723	\$ 291,723
Due from Other Governments	10,108	10,108
Total Assets	<u>\$ 301,831</u>	<u>\$ 301,831</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Liabilities:		
Accounts Payable	\$ 8,114	\$ 8,114
Accrued Liabilities	9,367	9,367
Due to Other Funds	9,137	9,137
Due to Others	15,400	15,400
Total Liabilities	<u>42,018</u>	<u>42,018</u>
Deferred Inflows of Resources:		
Fund Balances:		
Restricted		
Special Revenue	<u>259,813</u>	<u>259,813</u>
Total Fund Balance	<u>259,813</u>	<u>259,813</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 301,831</u>	<u>\$ 301,831</u>

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**FREESTONE COUNTY, TEXAS**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:		
Intergovernmental	\$ 16,813	\$ 16,813
Charges for Services	154,232	154,232
Interest and Royalty Income	130	130
Other	84,577	84,577
Total Revenues	<u>255,752</u>	<u>255,752</u>
Expenditures:		
General Administration	146,260	146,260
Public Safety	18,085	18,085
Judicial	117,887	117,887
Health and Welfare	14,512	14,512
Total Expenditures	<u>296,744</u>	<u>296,744</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(40,992)</u>	<u>(40,992)</u>
Other Financing Sources (Uses):		
Transfers In	18,000	18,000
Total Other Financing Sources (Uses)	<u>18,000</u>	<u>18,000</u>
Net Change in Fund Balances	(22,992)	(22,992)
Fund Balances - Beginning	282,805	282,805
Fund Balances - Ending	<u>\$ 259,813</u>	<u>\$ 259,813</u>

**FREESTONE COUNTY, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2018

	<u>Chapter 19 Voter Fund</u>	<u>County Attorney Fund</u>	<u>County Attorney Crime Victims</u>	<u>District Attorney Restitution</u>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 500	\$ 37,150	\$ -	\$ 2,378
Due from Other Governments	-	-	10,108	-
<b>Total Assets</b>	<u>\$ 500</u>	<u>\$ 37,150</u>	<u>\$ 10,108</u>	<u>\$ 2,378</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ -	\$ 546	\$ 1,471	\$ -
Accrued Liabilities	-	1,050	-	1,097
Due to Other Funds	500	-	8,637	-
Due to Others	-	15,400	-	-
<b>Total Liabilities</b>	<u>500</u>	<u>16,996</u>	<u>10,108</u>	<u>1,097</u>
<b>Deferred Inflows of Resources:</b>				
<b>Fund Balances:</b>				
<b>Restricted</b>				
Special Revenue	-	20,154	-	1,281
<b>Total Fund Balance</b>	<u>-</u>	<u>20,154</u>	<u>-</u>	<u>1,281</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 500</u>	<u>\$ 37,150</u>	<u>\$ 10,108</u>	<u>\$ 2,378</u>

Sheriff Trust	Special Budget Fund	Unclaimed Money Fund	Records Archive Fund	Courthouse Security Fund
\$ 43,906	\$ 13,281	\$ 942	\$ 160,195	\$ 9,097
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 43,906</u>	<u>\$ 13,281</u>	<u>\$ 942</u>	<u>\$ 160,195</u>	<u>\$ 9,097</u>
\$ 764	\$ 480	\$ -	\$ 3,862	\$ 707
6,015	-	-	401	804
-	-	-	-	-
-	-	-	-	-
<u>6,779</u>	<u>480</u>	<u>-</u>	<u>4,263</u>	<u>1,511</u>
<u>37,127</u>	<u>12,801</u>	<u>942</u>	<u>155,932</u>	<u>7,586</u>
<u>37,127</u>	<u>12,801</u>	<u>942</u>	<u>155,932</u>	<u>7,586</u>
<u>\$ 43,906</u>	<u>\$ 13,281</u>	<u>\$ 942</u>	<u>\$ 160,195</u>	<u>\$ 9,097</u>



**FREESTONE COUNTY, TEXAS**  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 SEPTEMBER 30, 2018

	Records Management Fund	JP Technology Fund	Justice Court Building Security	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 5,208	\$ 8,255	\$ 10,811	\$ 291,723
Due from Other Governments	-	-	-	10,108
<b>Total Assets</b>	<u>\$ 5,208</u>	<u>\$ 8,255</u>	<u>\$ 10,811</u>	<u>\$ 301,831</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ -	\$ 284	\$ -	\$ 8,114
Accrued Liabilities	-	-	-	9,367
Due to Other Funds	-	-	-	9,137
Due to Others	-	-	-	15,400
<b>Total Liabilities</b>	<u>-</u>	<u>284</u>	<u>-</u>	<u>42,018</u>
<b>Deferred Inflows of Resources:</b>				
<b>Fund Balances:</b>				
Restricted				
Special Revenue	5,208	7,971	10,811	259,813
<b>Total Fund Balance</b>	<u>5,208</u>	<u>7,971</u>	<u>10,811</u>	<u>259,813</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<u>\$ 5,208</u>	<u>\$ 8,255</u>	<u>\$ 10,811</u>	<u>\$ 301,831</u>

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**FREESTONE COUNTY, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Chapter 19 Voter Fund	County Attorney Fund	County Attorney Crime Victims	District Attorney Restitution
Revenue:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for Services	-	10,750	-	-
Interest and Royalty Income	-	33	-	-
Other	2,802	5,650	31,883	122
Total Revenues	<u>2,802</u>	<u>16,433</u>	<u>31,883</u>	<u>122</u>
Expenditures:				
General Administration	2,802	-	-	-
Public Safety	-	-	-	-
Judicial	-	60,580	31,883	-
Health and Welfare	-	-	-	-
Total Expenditures	<u>2,802</u>	<u>60,580</u>	<u>31,883</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(44,147)</u>	<u>-</u>	<u>122</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	(44,147)	-	122
Fund Balances - Beginning	-	64,301	-	1,159
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 20,154</u>	<u>\$ -</u>	<u>\$ 1,281</u>

Sheriff Trust	Special Budget Fund	Unclaimed Money Fund	Records Archive Fund	Courthouse Security Fund
\$ -	\$ 16,813	\$ -	\$ -	\$ -
-	-	-	94,385	25,635
-	-	-	97	-
<u>16,456</u>	<u>27,410</u>	<u>254</u>	<u>-</u>	<u>-</u>
<u>16,456</u>	<u>44,223</u>	<u>254</u>	<u>94,482</u>	<u>25,635</u>
-	8,404	-	73,569	61,297
6,241	11,844	-	-	-
-	-	-	-	-
-	14,512	-	-	-
<u>6,241</u>	<u>34,760</u>	<u>-</u>	<u>73,569</u>	<u>61,297</u>
<u>10,215</u>	<u>9,463</u>	<u>254</u>	<u>20,913</u>	<u>(35,662)</u>
-	-	-	-	18,000
-	-	-	-	18,000
10,215	9,463	254	20,913	(17,662)
26,912	3,338	688	135,019	25,248
<u>\$ 37,127</u>	<u>\$ 12,801</u>	<u>\$ 942</u>	<u>\$ 155,932</u>	<u>\$ 7,586</u>

**FREESTONE COUNTY, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Records Management Fund	JP Technology Fund	Justice Court Building Security	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenue:				
Intergovernmental	\$ -	\$ -	\$ -	\$ 16,813
Charges for Services	6,589	13,804	3,069	154,232
Interest and Royalty Income	-	-	-	130
Other	-	-	-	84,577
Total Revenues	<u>6,589</u>	<u>13,804</u>	<u>3,069</u>	<u>255,752</u>
Expenditures:				
General Administration	-	188	-	146,260
Public Safety	-	-	-	18,085
Judicial	8,750	16,374	300	117,887
Health and Welfare	-	-	-	14,512
Total Expenditures	<u>8,750</u>	<u>16,562</u>	<u>300</u>	<u>296,744</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,161)</u>	<u>(2,758)</u>	<u>2,769</u>	<u>(40,992)</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	18,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,000</u>
Net Change in Fund Balances	(2,161)	(2,758)	2,769	(22,992)
Fund Balances - Beginning	7,369	10,729	8,042	282,805
Fund Balances - Ending	<u>\$ 5,208</u>	<u>\$ 7,971</u>	<u>\$ 10,811</u>	<u>\$ 259,813</u>

**FREESTONE COUNTY, TEXAS**

## COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

## AGENCY FUNDS

SEPTEMBER 30, 2018

	Payroll Clearing Fund	County Officials Trust and Agency Fund	Total Agency Funds (See Exhibit A-7)
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 10,441	\$ 1,774,896	\$ 1,785,337
<b>Total Assets</b>	<u>\$ 10,441</u>	<u>\$ 1,774,896</u>	<u>\$ 1,785,337</u>
<b>LIABILITIES:</b>			
Accounts Payable	\$ 10,441	-	\$ 10,441
Due to Others	-	962,824	962,824
Due to Other Governments	-	812,072	812,072
<b>Total Liabilities</b>	<u>\$ 10,441</u>	<u>\$ 1,774,896</u>	<u>\$ 1,785,337</u>

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## *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.



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**DAVIS, HEINEMANN & COMPANY, P.C.**

***CERTIFIED PUBLIC ACCOUNTANTS***

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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' Court  
Freestone County, Texas  
118 East Commerce  
Fairfield, Texas 75840

Members of the Commissioners' Court:

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 Freestone County, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Freestone County, Texas' basic financial statements, and have issued our report thereon dated May 21, 2019.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

## 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Davis, Heinemann & Co.".

Davis, Heinemann & Company, P.C.

Huntsville, Texas  
May 21, 2019

**FREESTONE COUNTY, TEXAS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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

**1. Financial Statements**

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
One or more significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported	
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	

**B. Financial Statement Findings**

NONE

**FREESTONE COUNTY, TEXAS**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None reported.		