

**BOWIE COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2018**

**BOWIE COUNTY, TEXAS**

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**FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge  
And Members of the Commissioners' Court  
Bowie County  
New Boston, Texas

### Report on the Financial Statements

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

#### OFFICE LOCATIONS

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bowie 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.

### ***Change in Accounting Principle***

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

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplementary information, as presented 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 County's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Pattillo, Brown & Hill, LLP*

Waco, Texas  
May 9, 2019



**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

This section of the Bowie County, Texas (the "County") financial report presents a narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2018.

### FINANCIAL HIGHLIGHTS

- The County's total net position increased by \$855,989, or 4%, over the course of this year's operations. This was primarily caused by the decrease in interest on long-term debt as a result of this year's current bond refunding.
- The total government-wide assets and deferred outflows of resources of the County exceeded the liabilities and deferred inflows of resources at September 30, 2018, by \$19,930,032 and is reported as total net position of the County. Of this amount, (\$20,532,497) represents unrestricted net position, \$24,850,657 is restricted, and \$15,611,872 is the net investment in capital assets.
- As of September 30, 2018, the County's governmental funds reported combined fund balances of \$16,161,796, as compared to \$20,070,307 at September 30, 2017. This represented a decrease of \$3,908,511. This decrease can be primarily attributed to the County's payment to the escrow agent as a condition of this year's bond refunding.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which are comprised of the following three components: 1) Government-wide financial statements; 2) Fund financial statements and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** are designed to provide readers with a broad overview of County finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all County assets, deferred inflows/outflows of resources and liabilities, with the difference representing net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information that indicates how net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or in part a portion of their costs through user fees and charges (business-type activities). The County has no business-type activities. The governmental activities of the County include general government, public safety, public works and welfare.

**Fund Financial Statements** are groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds. The County does not have any proprietary funds.

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

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

The County maintains 9 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the major governmental funds. Data from other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

**Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following the governmental fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the County's compliance with its adopted budget for the General Fund, its employee pension plan and its progress in funding its obligation to provide OPEB benefits to its employees. Required supplementary information can be found immediately following the notes to the financial statements. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Bowie County, assets exceeded liabilities by \$19,930,032 at the close of the most recent fiscal year. The following table indicates the County's financial position as of September 30, 2018 and September 30, 2017.

### BOWIE COUNTY'S NET POSITION

	Governmental Activities	
	2018	2017
Current assets	\$ 41,996,610	\$ 47,896,018
Capital assets	<u>15,611,872</u>	<u>16,294,284</u>
Total assets	<u>57,608,482</u>	<u>64,190,302</u>
Total deferred outflows of resources	<u>1,558,922</u>	<u>4,902,648</u>
Current liabilities	2,716,090	2,708,811
Noncurrent liabilities	<u>34,762,835</u>	<u>44,135,979</u>
Total liabilities	<u>37,478,925</u>	<u>46,844,790</u>
Total deferred inflows of resources	<u>1,758,447</u>	<u>732,085</u>
Net position:		
Net investment in capital assets	15,611,872	16,294,284
Restricted	24,850,657	32,372,623
Unrestricted	<u>( 20,532,497)</u>	<u>( 27,150,832)</u>
Total net position	<u>\$ 19,930,032</u>	<u>\$ 21,516,075</u>

The first portion of the County's current fiscal year net position, \$15,611,872, reflects its investments in capital assets (e.g. land, improvements, buildings, equipment, infrastructure) less any related debt used to acquire these assets that is outstanding. The main use of these capital assets is to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Of the County's current fiscal year net position, (\$20,532,497) represents unrestricted net position and \$24,850,657 represents restricted net position. The restricted net position has constraints which have been placed on the use of these resources either (a) externally imposed by creditors, grantors, contributors, or by laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

The following table indicates the changes in net position for governmental activities:

	Governmental Activities	
	2018	2017
<b>REVENUES</b>		
Program revenues:		
Charges for services	\$ 10,065,439	\$ 9,914,687
Operating grants and contributions	1,286,405	1,399,611
General revenues:		
Property taxes, levied for general purposes	16,882,390	16,399,281
Property taxes, levied for debt service	3,119,920	3,136,190
Sales taxes	6,894,054	6,604,305
Other taxes	953,209	1,039,826
Investment earnings	310,231	313,030
Miscellaneous	141,356	71,756
Total revenues	<u>39,653,004</u>	<u>38,878,686</u>
<b>EXPENSES</b>		
General government	10,565,652	9,492,293
Public safety	21,126,977	20,233,468
Public works	4,171,832	33,586,132
Health and welfare	2,164,276	1,771,379
Interest on long-term debt	768,278	1,199,609
Total expenses	<u>38,797,015</u>	<u>66,282,881</u>
<b>CHANGE IN NET POSITION</b>	855,989	( 27,404,195)
<b>NET POSITION, BEGINNING</b>	21,516,075	43,315,271
<b>PRIOR PERIOD ADJUSTMENT</b>	( 2,442,032)	5,604,999
<b>NET POSITION, ENDING</b>	<u>\$ 19,930,032</u>	<u>\$ 21,516,075</u>

Property taxes are collected to support governmental activities through the General and Debt Service funds. Property taxes increased by \$466,839, or 2%, for the fiscal year. This increase was primarily due to an increase in the appraised value of taxable property. Income from charges for services increased by \$150,752. These revenues increased mainly due to the fluctuation of activity for the housing of contract inmates during the fiscal year. Grants and contributions decreased by \$113,206 during 2018 as expenditures decreased under a TXDOT grant project for the purpose of constructing, improving, extending, expanding, and upgrading U.S. Highway 82. Expenses for the County decreased by \$27,485,866 after the donation of the asset to the State of Texas in the prior year.

## FINANCIAL ANALYSIS OF MAJOR FUNDS

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

At September 30, 2018, the County's governmental funds reported combined fund balances of \$16,161,796 as compared to \$20,070,307 at September 30, 2017.

The General Fund is the chief operating fund of the County. At September 30, 2018, the General Fund reported revenues of \$36,169,733 and expenditures of \$36,155,054 as compared to revenues of \$34,408,074 and expenditures of \$32,554,368 at September 30, 2017. Unassigned fund balance for the General Fund at year-end was \$11,398,144.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

Tax revenues were under-budgeted by approximately \$1,620,767. Correspondingly, total General Fund expenditures exceeded appropriations by \$2,333,355.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** The County's investment in capital assets for its governmental activities as of September 30, 2018, amounted to \$15,611,872 (net of accumulated depreciation) as compared to \$16,294,284 at September 30, 2017. This investment in capital assets includes land, buildings and improvements, structures, equipment, vehicles, machinery, and other tangible and intangible assets.

For further information regarding capital assets, see Note 3 to the financial statements.

**Long-term Debt.** At September 30, 2018, the County had total long-term liabilities outstanding of \$26,017,005. Total long-term liabilities outstanding at September 30, 2017, were \$34,273,917.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The 2018-2019 Budget has the same overall tax rate as the 2017-2018 Budget at \$0.424322. Of the total rate, \$0.046078 is for debt service and \$0.378244 is for maintenance and operations.

Budgeted revenues for the General Fund total \$34,406,063 and budgeted expense total \$35,025,144, resulting in a deficit of \$619,081. A recent trend increase in Bowie County inmates housed at the Bowie County Corrections Center was a factor in the budgeted deficit; however, the County contracts with the Arkansas Department of Corrections and US Marshall for inmate housing at the Corrections Center continue to help offset some of the increased costs.

Budgeted sales tax revenue was up 3.8% to \$6,824,644. Sales tax revenue continues to increase each year. Additionally, the County continues to reap benefits from the 2016 Tax Note. The fleet of vehicles purchased for the Sheriff's department continues to save the County approximately \$200,000 per year in vehicle expenses.

After completion of upgrades to the Courthouse and the Women's Center relating to heating and air, the lighting, plumbing, and water systems, the County looks forward to savings in the future on the related utility costs.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the County Auditor's Office, P. O. Box 248, New Boston, Texas 75570.

**BASIC  
FINANCIAL STATEMENTS**



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

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 16,852,540
Receivables, net of allowance for uncollectibles:	
Accounts	660,576
Adjudicated fines	512,264
Property taxes	1,407,428
Sales taxes	1,165,434
Intergovernmental	20,683,582
Prepaid expenses	153,664
Investment in joint venture	561,122
Capital assets:	
Land	484,044
Buildings	20,302,056
Machinery and equipment	10,565,017
Infrastructure	36,191,231
Less: accumulated depreciation	( 51,930,476)
Total capital assets	15,611,872
Total assets	57,608,482
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	1,516,755
Deferred outflows related to OPEB	42,167
Total deferred outflows of resources	1,558,922
<b>LIABILITIES</b>	
Accounts payable	1,958,736
Accrued liabilities	212,382
Due to other governments	372,104
Accrued interest	172,868
Noncurrent liabilities:	
Due within one year	
Long-term debt	2,010,698
Due in more than one year	
Long-term debt	24,006,307
Net pension liability	3,660,669
Total OPEB liability	5,085,161
Total liabilities	37,478,925
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	1,377,104
Deferred inflows related to OPEB	2,779
Deferred gains on bond refundings	378,564
Total deferred inflows of resources	1,758,447
<b>NET POSITION</b>	
Net investment in capital assets	15,611,872
Restricted for:	
Debt service	20,729,403
Road improvements	1,672,092
Inmate benefit	234,578
Other capital projects	253,859
District Attorney	281,756
Public safety	349,939
Records management and preservation	824,241
Court security	240,493
Justice court technology	143,492
Voting and election services	22,741
Health and welfare	25,861
Foster care	54,513
Drug Court	17,689
Unrestricted	( 20,532,497)
Total net position	\$ 19,930,032

The accompanying notes are an integral part of these financial statements.

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

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>				
General government	\$ 10,565,652	\$ 2,340,016	\$ 85,099	\$( 8,140,537)
Public safety	21,126,977	6,862,949	1,030,287	( 13,233,741)
Public works	4,171,832	862,474	18,562	( 3,290,796)
Health and welfare	2,164,276	-	152,457	( 2,011,819)
Interest on long-term debt	768,278	-	-	( 768,278)
Total governmental activities	<u>\$ 38,797,015</u>	<u>\$ 10,065,439</u>	<u>\$ 1,286,405</u>	<u>( 27,445,171)</u>
 <b>General revenues:</b>				
Taxes:				
				16,882,390
				3,119,920
				6,894,054
				953,209
				310,231
				141,356
				<u>28,301,160</u>
				855,989
				21,516,075
				( 2,442,032)
				<u>\$ 19,930,032</u>

**BOWIE COUNTY, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 14,907,341	\$ 1,084,002	\$ -	\$ 861,197	\$ 16,852,540
Receivables (net of allowances for uncollectibles):					
Ad valorem taxes	1,109,489	-	297,939	-	1,407,428
Sales taxes	1,165,434	-	-	-	1,165,434
Accounts	660,576	-	-	-	660,576
Fines	512,264	-	-	-	512,264
Due from other funds	439,411	610,468	-	-	1,049,879
Due from other governments	64,184	-	20,619,398	-	20,683,582
Prepaid items	23,043	-	-	-	23,043
Total assets	<u>18,881,742</u>	<u>1,694,470</u>	<u>20,917,337</u>	<u>861,197</u>	<u>42,354,746</u>
<b>LIABILITIES</b>					
Accounts payable	1,807,315	147,611	-	3,810	1,958,736
Accrued liabilities	212,382	-	-	-	212,382
Due to other funds	610,468	333,490	-	105,921	1,049,879
Due to other governments	372,104	-	-	-	372,104
Total liabilities	<u>3,002,269</u>	<u>481,101</u>	<u>-</u>	<u>109,731</u>	<u>3,593,101</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	1,682,512	-	20,917,337	-	22,599,849
Total deferred inflows of resources	<u>1,682,512</u>	<u>-</u>	<u>20,917,337</u>	<u>-</u>	<u>22,599,849</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid items	23,043	-	-	-	23,043
Restricted:					
Road improvements	158,165	959,510	-	554,417	1,672,092
Other capital projects	-	253,859	-	-	253,859
District Attorney	281,756	-	-	-	281,756
Public safety	349,939	-	-	-	349,939
Records management and preservation	824,241	-	-	-	824,241
Court security	240,493	-	-	-	240,493
Justice court technology	143,492	-	-	-	143,492
Voting and election services	22,741	-	-	-	22,741
Health and welfare	25,861	-	-	-	25,861
Inmate benefit	-	-	-	234,578	234,578
Foster care	-	-	-	54,513	54,513
Drug Court	-	-	-	17,689	17,689
Debt service	110,005	-	-	-	110,005
Assigned:					
Budgeted deficit for next fiscal year	619,081	-	-	-	619,081
Unassigned	11,398,144	-	-	( 109,731)	11,288,413
Total fund balances	<u>14,196,961</u>	<u>1,213,369</u>	<u>-</u>	<u>751,466</u>	<u>16,161,796</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 18,881,742</u>	<u>\$ 1,694,470</u>	<u>\$ 20,917,337</u>	<u>\$ 861,197</u>	<u>\$ 42,354,746</u>

The accompanying notes are an integral part of these financial statements.

## BOWIE COUNTY, TEXAS

### RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS

#### TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 2018

Total fund balances - governmental funds balance sheet	\$	16,161,796
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		15,611,872
Deferred gains on refundings of debt are not recognized and, therefore, is not reported in the funds.	(	378,564)
Interest payable on long-term debt does not require current financial resources, and, therefore, is not reported as a liability in the funds.	(	172,868)
The investment in joint venture is not an available resource and, therefore, is not reported in the funds.		561,122
Deferred outflows and inflows of resources related to pensions and OPEB are not reported in the funds.		179,039
Bond insurance premiums are reported in the governmental funds as an expenditure and the costs (net of amortization) are reported as an asset in the statement of net position.		130,621
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable resources in the funds.		22,599,849
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(	25,814,189)
Compensated absences, other post-employment benefits, and net pension liability are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	(	3,660,669)
Total OPEB liability	(	5,085,161)
Compensated absences	(	<u>202,816</u> )
Net position of governmental activities	\$	<u>19,930,032</u>

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

	General	Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 24,310,587	\$ -	\$ 3,119,920	\$ 74,415	\$ 27,504,922
Charges for services	9,845,630	-	-	103,114	9,948,744
Intergovernmental	1,273,710	-	2,016,030	118,525	3,408,265
Investment earnings	221,747	23,595	-	-	245,342
Rental income	376,703	-	-	-	376,703
Miscellaneous	141,356	-	-	-	141,356
Total revenues	<u>36,169,733</u>	<u>23,595</u>	<u>5,135,950</u>	<u>296,054</u>	<u>41,625,332</u>
<b>EXPENDITURES</b>					
Current:					
General government	9,956,591	-	-	-	9,956,591
Public safety	20,698,957	-	-	244,193	20,943,150
Public works	3,409,783	22,637	-	-	3,432,420
Health and welfare	2,008,518	-	-	103,766	2,112,284
Capital outlay	-	347,556	-	-	347,556
Debt service:					
Principal	76,944	-	2,020,000	-	2,096,944
Interest and other charges	4,261	-	1,118,156	-	1,122,417
Bond issuance costs	-	-	222,799	-	222,799
Payment to escrow agent	-	-	27,460,519	-	27,460,519
Total expenditures	<u>36,155,054</u>	<u>370,193</u>	<u>30,821,474</u>	<u>347,959</u>	<u>67,694,680</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>14,679</u>	<u>( 346,598)</u>	<u>( 25,685,524)</u>	<u>( 51,905)</u>	<u>( 26,069,348)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in	1,266,030	-	4,739,688	-	6,005,718
Transfers out	-	( 4,739,688)	( 1,266,030)	-	( 6,005,718)
Insurance recoveries	76,799	-	-	-	76,799
Sale of capital assets	23,720	-	-	-	23,720
Premium on refunding bonds issued	-	-	2,765,318	-	2,765,318
Issuance of debt	-	-	19,295,000	-	19,295,000
Total other financing sources	<u>1,366,549</u>	<u>( 4,739,688)</u>	<u>25,533,976</u>	<u>-</u>	<u>22,160,837</u>
<b>NET CHANGE IN FUND BALANCES</b>	1,381,228	( 5,086,286)	( 151,548)	( 51,905)	( 3,908,511)
<b>FUND BALANCES, BEGINNING</b>	<u>12,815,733</u>	<u>6,299,655</u>	<u>151,548</u>	<u>803,371</u>	<u>20,070,307</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 14,196,961</u>	<u>\$ 1,213,369</u>	<u>\$ -</u>	<u>\$ 751,466</u>	<u>\$ 16,161,796</u>

The accompanying notes are an integral part of these financial statements.

**BOWIE 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:	\$ ( 3,908,511)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	
Capital outlay	658,945
Depreciation	( 1,243,704)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	
	( 2,172,943)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, the governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. These amounts are the net effect of these differences in the treatment of long-term debt and related items:	
Issuance of long-term debt	5,400,201
Payment of principal on long-term debt	2,020,000
Amortization of premium on bonds	212,714
Amortization of prepaid bond insurance premium	( 6,875)
Gain on bond refundings	31,547
Payment of principal on capital leases	76,944
Payment of delinquent TIRZ obligation	135,726
The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to decrease net position.	
	( 97,653)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Interest	116,753
Pension cost	( 290,654)
Other postemployment benefits cost	( 142,606)
Compensated absences	1,216
The effect of the change in the County's equity interest in the Bi-State Justice Center does not require the use of current financial resources and, therefore, is not reported as (expenditures)/revenue in governmental funds.	
	<u>64,889</u>
Change in net position of governmental activities	\$ <u>855,989</u>



**BOWIE COUNTY, TEXAS**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**AGENCY FUNDS**

**SEPTEMBER 30, 2018**

**ASSETS**

Cash and investments

\$ 29,142,723

Total assets

\$ 29,142,723

**LIABILITIES**

Due to others

\$ 29,142,723

Total liabilities

\$ 29,142,723

# BOWIE COUNTY, TEXAS

## NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Bowie County, Texas (the "County") was formed in 1841 and operates using a commission form of government under the laws and statutes of the Constitution of the State of Texas. The County provides various services to advance the welfare, health, comfort, safety and convenience of the County and its inhabitants.

The accounting and reporting policies of the County conform to generally accepted accounting principles (GAAP) applicable to state and local governments. The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. As required by generally accepted accounting principles, these financial statements present Bowie County, Texas (the primary government) and its component units. There are no component units which meet the criteria for inclusion in the County's reporting entity.

#### **Related Organizations**

The County's officials are also responsible for appointing the members of the boards of other organizations, but the County's accountability for these organizations does not extend beyond making the appointments. The Commissioners' Court or specific committees of the Commissioners' Court appoint members of the following organizations: Bowie County Child Protective Services, Community Healthcore, TexAmericas Center and Ark-Tex Council of Governments.

#### **Joint Venture**

***Bi-State Justice Center*** – the County is a participant in a joint venture in the Bi-State Justice Center with the City of Texarkana, Arkansas and the City of Texarkana, Texas. The Bi-State Justice Center is jointly occupied by law enforcement and criminal justice agencies of Bowie County, Texas; the City of Texarkana, Texas; and the City of Texarkana, Arkansas. The facility is located on the state line, half in Texarkana, Texas and half in Texarkana, Arkansas. The Intergovernmental Advisory Committee is responsible for the operations of the Center. This seven-member committee is comprised of the Bowie County Judge, one Bowie County Commissioner, two members from the City of Texarkana, Texas City Council, two members from the Texarkana, Arkansas Board of Directors, and one independent member. The Center accounts only for the operations of its own law enforcement and criminal justice agencies. The annual budget is underwritten by the participating entities based on a formula which uses floor space occupied, number of 911 calls received by the Building Information Center and the number of prisoners in the detention facility for each entity.

Bowie County, Texas' net investment, which consists of net position in the Bi-State Justice Center, is reported in the County's government-wide financial statements. The County's equity interest at September 30, 2018, was \$561,122 based on the Bi-state Justice Center's audited financial statements at December 31, 2017, (the latest available). Complete financial statements for the Bi-State Justice Center can be obtained from the City of Texarkana, Arkansas Finance Department.

## **B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The County has no business-type activities.

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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

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

The County reports the following major governmental funds:

***General Fund*** – This fund is established to account for resources devoted to financing the general services that the County performs for its citizens. General tax revenue and other sources of revenue used to finance the fundamental operations of the County are included in this fund. The fund is charged with all costs of operating the County for which a separate fund has not been established.

***The Capital Projects Fund*** is used to account for financial resources to be used for the acquisition or construction of major capital assets and infrastructure.

***The Debt Service Fund*** is used to account for the accumulation of resources for and the payment of debt principal and interest.

Additionally, the County reports the following fund types:

***Special Revenue Funds*** are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

***Fiduciary Fund Types:***

These funds account for assets held by the County as a trustee or agent for individuals, private organizations, and other units of government. These funds are as follows:

***Agency Funds*** account for resources held for others in a custodial capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

**D. Assets, Liabilities and Net Position or Equity**

**Deposits and Investments**

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

State statutes authorize the County to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements, money market mutual funds, direct obligations of the State of Texas, and local government investment pools.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” There were no “advances to/from other funds” at September 30, 2018.

All trade and property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 46% of the current year tax levy. Trade collectability is defined by the following schedule:

0 – 30 days .....	85% Probability of Collection
31 – 60 days .....	65% Probability of Collection
61 – 90 days .....	45% Probability of Collection
91 – 120 days .....	25% Probability of Collection
121 – 180 days .....	10% Probability of Collection
181 + days .....	1% Probability of Collection

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year.

**Capital Assets**

Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

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

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	5-50
Equipment	5-20
Infrastructure (streets and drainage)	35-50

### **Deferred Inflows/Outflows of Resources**

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

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions – These effects on the total pension and OPEB liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plans (active and inactive employees).

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

- Under the modified accrual basis of accounting, unavailable revenue is reported in the governmental funds balance sheet as a deferred inflow of resources.
- In the statement of net position, the difference in expected and actual pension and OPEB experience is deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension and OPEB plans (active and inactive employees).
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a four-year period.

## **Compensated Absences**

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

## **Long-term Obligations**

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

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

## **Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the Commissioners' Court, the County's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Commissioners' Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners' Court.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes any negative residual fund balances of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

### **Net Position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

### **Pensions**

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



## Other Post-Employment Benefits

For purposes of measuring the total OPEB liability under the TCDRS Group Term Life Fund (GTLF), related deferred outflows and inflows of resources, and total OPEB expense, information about the plan is obtained from TCDRS through a report prepared for the County by TCDRS consulting actuary, Milliman, in compliance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Similarly, information concerning the total OPEB liability, related deferred outflows and inflows of resources, and total OPEB expense, under the Retiree Health Care Plan (RHCP), is provided through a report prepared for the County by the County's actuary, CapRisk Consulting Group, in compliance with GASB Statement No. 75.

## Deficit Equity Balances

The Law Library fund (special revenue fund) has a deficit fund balance of \$109,731. The deficit will be eliminated either with increased revenues or a transfer from other funds.

## 2. DETAILED NOTES ON ALL FUNDS

### Deposits and Investments

As of September 30, 2018, the County had the following investments:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ 10,383	28
TexSTAR	<u>3,364,831</u>	43
Total portfolio	<u>\$ 3,375,214</u>	

*Interest Rate Risk.* In accordance with its investment policy, the County manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolios to a maximum of 90 days.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2018, the County's deposit balance was fully collateralized with securities held by the pledging financial institution or was covered by FDIC insurance.

*Credit Risk.* It is the County's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. Both of the County's investment pools were rated AAAM by Standard & Poor's Investors Service.

**Receivables**

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

	<u>General Fund</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Receivables:			
Ad valorem taxes	\$ 2,051,802	\$ 550,983	\$ 2,602,785
Sales tax	1,165,434	-	1,165,434
Adjudicated fines	10,245,284	-	10,245,284
Accounts	660,576	-	660,576
Intergovernmental	<u>64,184</u>	<u>20,619,398</u>	<u>20,683,582</u>
Gross receivables	14,187,280	21,170,381	35,357,661
Less: allowance for uncollectibles	<u>10,675,333</u>	<u>253,044</u>	<u>10,928,377</u>
Net total receivables	<u>\$ 3,511,947</u>	<u>\$ 20,917,337</u>	<u>\$ 24,429,284</u>

**Interfund Receivables and Payables**

The composition of interfund balances as of September 30, 2018, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Capital projects	\$ 333,490
General	Nonmajor governmental	105,921
Capital Projects	General	<u>610,468</u>
		<u>\$ 1,049,879</u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures, 2) transactions are recorded in the accounting system, and 3) payment between funds are made.

**Interfund Transfers:**

The composition of interfund transfers for the year ended September 30, 2018 is as follows:

<u>Transfers out</u>	<u>Transfers in</u>	
Debt service	General fund	\$ 1,266,030
Capital projects	Debt service	<u>4,739,688</u>
		<u>\$ 6,005,718</u>

During the year, transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as principal and interest payments become and due and 2) move general fund resources to provide an annual subsidy to the transit fund.

**Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 484,044	\$ -	\$ -	\$ 484,044
Total capital assets not being depreciated	<u>484,044</u>	<u>-</u>	<u>-</u>	<u>484,044</u>
Capital assets, being depreciated:				
Buildings and improvements	20,302,056	-	-	20,302,056
Machinery and equipment	10,301,655	658,945	( 395,583)	10,565,017
Infrastructure	36,191,231	-	-	36,191,231
Total capital assets being depreciated	<u>66,794,942</u>	<u>658,945</u>	<u>( 395,583)</u>	<u>67,058,304</u>
Less accumulated depreciation:				
Buildings and improvements	10,745,746	391,417	-	11,137,163
Machinery and equipment	5,025,344	632,598	( 297,930)	5,360,012
Infrastructure	35,213,612	219,689	-	35,433,301
Total accumulated depreciation	<u>50,984,702</u>	<u>1,243,704</u>	<u>( 297,930)</u>	<u>51,930,476</u>
Total capital assets, being depreciated, net	<u>15,810,240</u>	<u>( 584,759)</u>	<u>( 97,653)</u>	<u>15,127,828</u>
Governmental activities capital assets, net	<u>\$ 16,294,284</u>	<u>\$( 584,759)</u>	<u>\$( 97,653)</u>	<u>\$ 15,611,872</u>

Depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:	
General government	\$ 280,209
Public safety	228,626
Public works	<u>734,869</u>
Total depreciation expense - governmental activities	<u>\$ 1,243,704</u>

## Long-term Debt

Capital lease obligations consist of the following at September 30, 2018:

	<u>Total Outstanding</u>
Capital lease payable to a finance company for the purchase of road maintenance equipment. Payments are due in annual installments of \$27,358, including interest at 3.2%. Final maturity September 2019.	\$ 26,547
Capital lease payable to a finance company for the purchase of road maintenance equipment. Payments are due in annual installments of \$27,238, including interest at 3.2%. Final maturity September 2019.	26,431
Capital lease payable to a finance company for the purchase of road maintenance equipment. Payments are due in annual installments of \$27,237, including interest at 3.2%. Final maturity September 2019.	<u>26,431</u>
Total capital lease obligations	<u>\$ 79,409</u>

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

<u>Year ending September 30</u>	<u>Governmental Activities</u>
2019	\$ <u>81,835</u>
Total minimum lease payments	81,835
Less: amounts representing interest	<u>( 2,426)</u>
Present value of minimum lease payments	<u>\$ 79,409</u>

The assets acquired through capital leases as of September 30, 2018, were as follows:

Equipment	\$ 852,000
Accumulated depreciation	<u>( 284,000)</u>
Equipment, net	<u>\$ 568,000</u>

A summary of the outstanding bonds and tax notes as of September 30, 2018 is as follows:

Debt Security	Interest Rates	Amount
Tax Anticipation Note, Series 2016	2.110%	\$ 1,000,000
Pass-through Toll Revenue and Unlimited Tax Bonds, Series 2012	2.0 - 4.0%	4,000,000
Unlimited Tax Refunding Bonds, Series 2018	5%	<u>17,775,000</u>
		<u>\$ 22,775,000</u>

On September 15, 2012, the County issued Pass-through Toll Revenue and Unlimited Tax Bonds, Series 2012 in the amount of \$34,910,000. These bond proceeds are being used for the purpose of constructing, improving, extending, expanding, and upgrading U.S. Highway 82 between FM 1840 and State Highway 98. The bonds are payable from and secured by the payments to be received by the County from the Texas Department of Transportation, which shall be available to pay principal and interest on the bonds as long as the bonds are outstanding (see Pass-through Toll Agreement note disclosure). The County shall deposit such Pass-Through Toll Revenues to the credit of the Interest and Sinking Fund to the extent necessary to pay the principal and interest on the bonds. If the County elects to levy a tax for the payment of the bonds, it will not be necessary to deposit the revenues in the Interest and Sinking Fund.

On September 15, 2016, the County issued Tax Anticipation Note, Series 2016 in the amount of \$2,000,000. These debt proceeds were used for the purpose of purchasing fleet vehicles for law enforcement purposes and related equipment, election equipment, a radio tower, and road and bridge equipment.

On January 10, 2018, the County issued \$19,295,000 of Unlimited Tax Refunding Bonds, Series 2018 to partially refund the Pass-through Toll Revenue and Unlimited Tax Bonds, Series 2012. The Unlimited Tax Refunding Bonds, Series 2018 bear an interest rate of 5 percent with a final maturity date of August 1, 2030. Net present value savings related to this partial refunding totaled \$1,490,886. The total debt service was reduced by \$9,503,872. The difference between the reacquisition price and the net carrying amount of the old debt (deferred gain on refunding of \$410,111) will be amortized over the remaining life of the original debt issued.

Annual debt service requirements to maturity for the revenue and unlimited tax bonds and tax notes are as follows:

Year Ending September 30,	Governmental Activities	
	Principal	Interest
2019	\$ 1,755,000	\$ 1,036,943
2020	1,820,000	963,526
2021	1,385,000	886,800
2022	1,450,000	817,550
2023	1,525,000	745,050
2024-2028	8,860,000	2,501,250
2029-2033	4,380,000	656,100
2034-2037	<u>1,600,000</u>	<u>148,500</u>
Totals	<u>\$ 22,775,000</u>	<u>\$ 7,755,719</u>

### **Compensated Absences**

County employees earn annual leave up to a maximum of 15 days per year based on months of service. Fulltime regular employees earn 10 days of sick leave per year. Employees who have been employed for six or more months are eligible to be paid for all unused annual leave at their regular rate of pay upon termination of employment. Unused sick leave is not paid upon termination of employment.

At September 30, 2018, the County had accrued compensated absences in the amount of \$202,816.

### **Tax Increment Reinvestment Zone Obligation**

On February 8<sup>th</sup>, 2016, the County and the City of Texarkana entered into a long-term arrangement to meet the balance outstanding on its Tax Increment Reinvestment Zone (“TIRZ”) agreement in accordance with the provisions of Chapter 311-Tax Increment Financing Act of the Texas Tax Code. Since 2011, the County deferred TIRZ and other outstanding payments to the City of Texarkana. The County intends to pay the balance with fixed annual payments, with each payment due no later than January 31<sup>st</sup> each year.

### **Changes in Long-term Liabilities**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions/ Adjustments</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
TIRZ payable	\$ 542,902	\$ -	\$( 135,726)	\$ 407,176	\$ 135,726
Tax notes	1,500,000	-	( 500,000)	1,000,000	500,000
Revenue and unlimited tax bonds	31,360,000	19,295,000	( 28,880,000)	21,775,000	1,255,000
Premium on bonds	510,630	2,765,318	( 723,344)	2,552,604	-
Capital lease	156,353	-	( 76,944)	79,409	79,409
Compensated absences	<u>204,032</u>	<u>191,427</u>	<u>( 192,643)</u>	<u>202,816</u>	<u>40,563</u>
Governmental activities long-term liabilities	<u>\$ 34,273,917</u>	<u>\$ 22,251,745</u>	<u>\$( 30,508,657)</u>	<u>\$ 26,017,005</u>	<u>\$ 2,010,698</u>

Compensated absences and capital leases are generally liquidated by the General Fund.

### **Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. The County participates in a risk management program through Texas Association of Counties for workers' compensation coverage.

The County has not had any significant reductions in insurance coverage from coverage in the prior year. The amount of settlements has not exceeded insurance coverage in any of the previous three years.

## **Commitments and Contingencies**

On February 11, 2013, the County entered into a contract with LaSalle Corrections, LLC (the “contractor”) for the operation and management of the bi-state jail and detention center. The agreement allows for cancellation only upon material breach. Otherwise, the agreement is for three consecutive years with three one-year options for renewal. Under the agreement, the County is responsible for payment to the contractor a per diem rate of \$39.25 per day/per inmate at the Bi-State Justice Center and \$46.50 per day/per inmate at the Bowie County Correctional Center. The per diem increased by 3% on February 14, 2014 and will increase 3% annually thereafter. The contractor is responsible for providing basic medical and emergency health services, optical, dental care and all food, beverage, commissary, and related support services. The contractor is responsible for providing monthly financial information to the County as support for payment requested or remitted.

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the management, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

The County participates in numerous state and federal 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 collectability of any related receivable at September 30, 2018, 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 financial statements for such contingencies.

## **Defined Benefit Pension Plan**

**Plan Description.** The County participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (“TCDRS”). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tcdrs.org](http://www.tcdrs.org).

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work a year. Employees in a temporary position are not eligible for membership.

**Benefits Provided.** TCDRS provides retirement, disability and death benefits for all eligible employees. Benefit provisions are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 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 their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer 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. By law, employee accounts earn 7% interest. At retirement, death 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.

***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	198
Inactive employees entitled to but not yet receiving benefits	201
Active employees	310
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	709

**Contributions.** The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participant over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the County were 11.85% and 12.03% in calendar years 2017 and 2018, respectively. The County's contributions to TCDRS for the year ended September 30, 2018, were \$1,428,301, and were equal to the required contributions.

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

***Actuarial Assumptions***

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

Inflation	2.75% per year
Overall payroll growth	3.25% per year
Investment rate of return	8.0%, net of pension plan investment expense, including inflation



The County has no automatic cost-of-living adjustments (“COLA”) and one is not considered to be substantively automatic. Therefore, no assumption for future cost-of-living adjustments is included in the actuarial valuation. Each year, the County may elect an ad-hoc COLA for its retirees.

Mortality rates for active members, retirees, and beneficiaries were based on the following:

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 Health 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 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 for mortality assumptions. Mortality assumptions were updated for the 2017 valuation to reflect projected improvements.

The long-term expected rate of return on pension plan investments is 8.1%. The pension plan’s policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2018 information for a 7 to 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

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

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return (Expected minus Inflation) <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>(3)</sup>	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net)	11.00%	4.55%
International Equities - Emerging	MSCI EM Standard (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>(4)</sup>	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(5)</sup>	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRF) Fund of Funds Composite Index	18.00%	4.10%

<sup>(1)</sup> Target asset allocation adopted at the April 2018 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 capital market assumptions.

<sup>(3)</sup> Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>(5)</sup> Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

### **Discount Rate**

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

### ***Changes in the Net Pension Liability***

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balances at 12/31/2016	\$ 67,375,610	\$ 59,974,683	\$ 7,400,927
Changes for the year:			
Service cost	1,545,355	-	1,545,355
Interest on total pension liability <sup>(1)</sup>	5,418,464	-	5,418,464
Effect of economic/demographic gains or losses	( 204,134)	-	( 204,134)
Effect of assumptions changes or inputs	342,115	-	342,115
Refund of contributions	( 246,749)	( 246,749)	-
Benefit payments	( 3,886,424)	( 3,886,424)	-
Administrative expenses	-	( 44,346)	44,346
Member contributions	-	813,233	( 813,233)
Net investment income	-	8,722,954	( 8,722,954)
Employer contributions	-	1,376,678	( 1,376,678)
Other <sup>(2)</sup>	-	( 26,461)	26,461
Balances at 12/31/2017	<u>\$ 70,344,237</u>	<u>\$ 66,683,568</u>	<u>\$ 3,660,669</u>

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge

<sup>(2)</sup> Relates to allocation of system-wide items.

### ***Sensitivity Analysis***

The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, 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 (7.1%) or 1-percentage-higher (9.1%) than the current rate:

	Current		
	1% Decrease 7.1%	Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$ 78,600,865	\$ 70,344,237	\$ 63,340,820
Fiduciary net position	<u>66,683,568</u>	<u>66,683,568</u>	<u>66,683,568</u>
Net pension liability/(asset)	<u>\$ 11,917,297</u>	<u>\$ 3,660,669</u>	<u>\$( 3,342,748)</u>

### ***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at [www.tcdrs.org](http://www.tcdrs.org).

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended September 30, 2018, the County recognized pension expense of \$1,719,084.

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

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual economic experience	\$ 535,413	\$ -
Changes in actuarial assumptions	-	437,047
Difference between projected and actual investment earnings	841,691	-
Contributions subsequent to the measurement date	<u>-</u>	<u>1,079,708</u>
Total	<u>\$ 1,377,104</u>	<u>\$ 1,516,755</u>

\$1,079,708 reported as deferred outflows of resources related to pension 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 expenses as follows:

<u>Year Ended September 30</u>		
2019	\$	361,603
2020		174,583
2021	(	687,246)
2022	(	788,997)

## **Other Postemployment Benefits**

### **Plan Description**

**Group Term Life Fund.** The County voluntarily participates in the Texas County & District Group Term Life Fund (TCDRS GTLF). The GTLF is a single-employer defined Other Post-Employment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. It is established and administered in accordance with the TCRS Act. The GTLF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under paragraph 4 of GASB Statement No. 75.

**Retiree Health Care Plan.** The County provides certain health care benefits through a single-employer defined benefit OPEB plan, under county policy, known as the Retiree Health Care Plan (RHCP). This plan is administered by the County. Local Government Code Section 157.101 assigns the authority to establish and amend benefit provisions to Commissioners Court. No separate audited financial statements are available. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

### **Benefits Provided**

**Group Term Life Fund.** The GTLF provides group-term life insurance to County employees who are active members in TCDRS, including retirees. The County opted into this program by Commissioners Court, and may terminate coverage under, and discontinue participation in, the GTLF by opting out by Commissioners Court.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's most recent regular annualized salary. The death benefit for retirees is considered an other employment benefit (OPEB) and is a fixed amount of \$5,000.

**Retiree Health Care Plan.** The County provides health insurance to retirees. Retirees are eligible for medical and prescription insurance at no cost to the retiree until they reach Medicare eligibility. An employee's spouse and dependents may also participate in the plan at the cost of the retiree. Upon reaching Medicare eligibility, the retiree will no longer receive medical insurance at no cost. At this time, the retiree will be responsible for full cost of the coverage.

Eligible individuals include retired employees who have satisfied the requirements as defined by the Texas County & District Retirement System and their spouse and dependents that were covered prior to retirement. Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more.

***Employees covered by benefit terms***

As of the measurement date for each OPEB plan, the following employees were covered by the benefit terms:

	<u>GTLF</u>	<u>RHCP</u>
Inactive employees receiving benefits	160	24
Inactive employees entitled to but not yet receiving benefits	42	-
Active employees	<u>310</u>	<u>191</u>
	<u>512</u>	<u>215</u>

**Contributions**

**Group Term Life Fund.** The County contributes to the GTLF at a contractually required rate as determined by an annual actuarial valuation, which was 0.28% for 2018 and 0.26% for 2017, of which 0.18% and 0.22%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the GTLF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The County's contributions to the GTLF for the years ended September 30, 2018 and 2017 were \$55,406 and \$57,469, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

**Retiree Health Care Plan.** Local Government Code Section 157.102 assigns to Commissioners Court the authority to establish and amend contribution requirements of plan members and participating employers. The County reviews the plan annually with the approved contribution rates becoming effective January 1<sup>st</sup> of each calendar year. For the year ended September 30, 2018, the County's contributions to the RHCP were \$248,141.

**Total OPEB Liability**

The Total OPEB Liability (TOL) of \$5,085,161, comprised of \$732,012 and \$4,353,149 for GTLF and RHCP, was measured as of December 31, 2017 and September 30, 2018, respectively, and was determined by an actuarial valuation as of the respective dates.

***Actuarial Assumptions and Other Inputs***

The total OPEB liability in the actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	<u>GTLF</u>	<u>RHCP</u>
Actuarial Valuation Date	December 31, 2017	September 30, 2018
Actuarial Cost Method	Individual Entry-Age	Individual Entry-Age
Discount Rate	3.44%	4.06%
Inflation	None	3.00%
Salary Increase	None	3.50%
Health Care Trend Rates	None	5.00%

The discount rate was based on the Bond Buyer 20-Bond GO Index.

Mortality rates for depositing members were based on the RP-2014 Active Employee Mortality Table for males and females as appropriate, with adjustments. Mortality rates for service retirees, beneficiaries, and non-depositing members were based on the RP-2014 Healthy Annuitant Mortality Table for males and females as appropriate, with adjustments. Mortality rates for disabled retirees were based on the RP-2014 Disabled Annuitant Mortality Table for males and females as appropriate, with adjustments.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 75.

***Changes in the Total OPEB Liability***

	<u>GTLF</u>	<u>RHCP</u>
<b>Total OPEB liability</b>		
Service Cost	\$ 22,277	\$ 185,653
Interest on total OPEB liability	26,117	174,683
Differences between expected and actual experience	( 3,335)	-
Changes in assumptions or other inputs	31,214	-
Benefit Payments	( 25,559)	( 248,141)
Net Changes	50,714	112,195
Total OPEB liability - Beginning	<u>681,298</u>	<u>4,240,954</u>
Total OPEB liability - Ending	<u>\$ 732,012</u>	<u>\$ 4,353,149</u>

Note: There are no assets accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement No. 75 to pay related benefits.

In prior years, the liability for OPEB in governmental activities has been primarily liquidated by the general fund.

Changes of assumptions and other inputs for the Group Term Life Fund reflect a change in the discount rate from 3.78% as of December 31, 2016 to 3.44% as of December 31, 2017.

**Group Term Life Fund.** The following presents the total OPEB liability of the County, 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 discount rate:

	1% Decrease in Discount Rate (2.44%)	Current Discount Rate (3.44%)	1% Increase in Discount Rate (4.44%)
Total OPEB Liability	\$ 869,351	\$ 732,012	\$ 624,945

**Retiree Health Care Plan.** The following presents the total OPEB liability of the County, 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 discount rate:

	1% Decrease in Discount Rate (3.06%)	Current Discount Rate (4.06%)	1% Increase in Discount Rate (5.06%)
Total OPEB Liability	\$ 3,940,941	\$ 4,353,149	\$ 4,833,059

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be, if it were calculated using health care cost trend rates that are 1-percentage-point lower (4%) or 1-percentage-point higher (6%) than the current health care cost trend rates:

	1% Decrease (4.00%)	Health Care Cost Trend Rates (5.00%)	1% Increase (6.00%)
Total OPEB Liability	\$ 4,024,152	\$ 4,353,149	\$ 4,714,806



**OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB**

**Group Term Life Fund.** For the year ended September 30, 2018, the County recognized OPEB expense of \$53,040. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 2,779	\$ -
Changes of assumptions or other inputs	-	26,012
Contributions subsequent to the measurement date	-	16,155
Totals	<u>\$ 2,779</u>	<u>\$ 42,167</u>

Deferred outflows of resources related to OPEB of \$16,155, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2019	\$ 4,647
2020	4,647
2021	4,647
2022	4,647
2023	4,645

**Retiree Health Care Plan.** For the year ended September 30, 2018, the County recognized OPEB expense of \$360,336.

**Pass-through Toll Agreement**

In 2011, the County entered into an agreement with the Texas Department of Transportation (TXDOT) for the development and construction of a project on U.S. Highway 82. The total estimated cost of the project is \$31,921,000. TXDOT is reimbursing the County for its proportional share of the allowable costs incurred under the project, estimated to be \$26,200,000. The maximum amount to be reimbursed to the County by TXDOT is \$28,820,000.

TXDOT was not obligated to begin making payments under the agreement until the project was substantially complete and open to the public. Under the agreement, when the project was complete, TXDOT will reimburse the County an annual amount equal to \$0.07 for each vehicle mile traveled on the project during the previous year. Each annual reimbursement will be not less than \$1,310,000 nor more than \$2,620,000. The first annual payment was to be made 60 days after the first anniversary of the project's completion and the Department's issuance of a Letter of Acceptance. Subsequent annual payments will be made within 60 days after each succeeding anniversary. On October 17, 2017, TXDOT remitted to the County its Letter of Acceptance as described under the terms of the agreement. As of September 30, 2018, a receivable of \$20,619,398 has been accrued for reimbursable expenditures incurred by the County.

**Prior Period Adjustment – Change in Accounting Principles**

During fiscal year 2018, the County adopted GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*, restating net position at October 1, 2017. As a result of implementing GASB 75, the County is reporting the difference between the net OPEB obligation calculation and the total OPEB liability calculation as a reduction to the prior year net position. As such, beginning net position was restated by \$(2,442,032).

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

## BOWIE COUNTY, TEXAS

### SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

#### GENERAL FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

REVENUES	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>Taxes:</b>				
Ad valorem	\$ 15,151,642	\$ 15,151,642	\$ 16,537,739	\$ 1,386,097
Sales	6,575,678	6,575,678	6,894,054	318,376
Other	962,500	962,500	878,794	( 83,706)
Total taxes	22,689,820	22,689,820	24,310,587	1,620,767
Intergovernmental	156,700	156,700	241,181	84,481
<b>Charges for services:</b>				
General government	2,131,150	2,131,150	1,722,240	( 408,910)
Public safety	6,201,795	6,201,795	6,992,284	790,489
Public works	900,000	900,000	862,474	( 37,526)
Total charges for services	9,232,945	9,232,945	9,576,998	344,053
Investment earnings	61,050	61,050	203,104	142,054
Miscellaneous	76,000	76,000	141,356	65,356
Total revenues	\$ 32,216,515	\$ 32,216,515	34,473,226	\$ 2,256,711
Revenues in sub-funds of the General Fund that are not budgeted			1,696,507	
Total revenues in the Statement of Revenues, Expenditures and Changes in Fund Balance			\$ 36,169,733	
<b>OTHER FINANCING SOURCES</b>				
Transfers in	\$ -	\$ -	\$ 1,266,030	\$ 1,266,030
Sale of capital assets	12,000	12,000	23,720	11,720
Insurance recoveries	-	-	76,799	76,799
Total other financing sources	\$ 12,000	\$ 12,000	\$ 1,366,549	\$ 1,354,549

The accompanying notes are an integral part of this schedule.

**BOWIE COUNTY, TEXAS**  
**SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
General government:				
Personnel services	\$ 2,326,567	\$ 2,388,167	\$ 2,274,660	\$ 113,507
Supplies and materials	216,864	216,339	193,954	22,385
Contractual services	5,235,367	5,288,217	7,174,603	( 1,886,386)
Miscellaneous	24,525	47,600	49,204	( 1,604)
Total general government	<u>7,803,323</u>	<u>7,940,323</u>	<u>9,692,421</u>	<u>( 1,752,098)</u>
Public safety:				
Personnel services	8,311,775	8,296,200	7,863,708	432,492
Supplies and materials	686,056	696,571	492,674	203,897
Contractual services	11,087,237	11,055,897	11,274,268	( 218,371)
Miscellaneous	34,945	82,845	93,904	( 11,059)
Total public safety	<u>20,120,013</u>	<u>20,131,513</u>	<u>19,724,554</u>	<u>406,959</u>
Public works:				
Personnel services	1,942,683	1,929,308	1,865,534	63,774
Supplies and materials	983,828	994,303	951,584	42,719
Contractual services	429,949	430,749	495,994	( 65,245)
Miscellaneous	86,395	88,495	87,367	1,128
Total public works	<u>3,442,855</u>	<u>3,442,855</u>	<u>3,400,479</u>	<u>42,376</u>
Health and welfare:				
Indigent medical	1,196,131	1,059,131	2,008,518	( 949,387)
Total health and welfare	<u>1,196,131</u>	<u>1,059,131</u>	<u>2,008,518</u>	<u>( 949,387)</u>
Debt service:				
Principal	-	-	76,944	( 76,944)
Interest	-	-	4,261	( 4,261)
Total debt service	<u>-</u>	<u>-</u>	<u>81,205</u>	<u>( 81,205)</u>
Total expenditures	<u>\$ 32,562,322</u>	<u>\$ 32,573,822</u>	34,907,177	<u>\$ ( 2,333,355)</u>
Expenditures in sub-funds of the General Fund that are not budgeted			<u>1,247,877</u>	
Total expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 36,155,054</u>	
Net change in fund balance				
(budgeted subfunds only)	<u>\$ ( 333,807)</u>	<u>\$ ( 345,307)</u>	<u>\$ 932,598</u>	<u>\$ 1,277,905</u>

The accompanying notes are an integral part of this schedule.

## **BOWIE COUNTY, TEXAS**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY SCHEDULE**

**SEPTEMBER 30, 2018**

#### **Budgetary Information**

The Commissioners' Court follows the general provisions outlined below in establishing the budgetary data reflected in the accompanying budgetary schedule.

1. The County Judge, serving as the budget officer, submits to the Commissioners' Court a proposed budget for the fiscal year beginning October 1. The operating budget includes proposed expenditures and the means of financing them for governmental fund types.
2. Public hearings are conducted, at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the Commissioners' Court, usually by the end of September.
4. The budget, as compared to actual, is reviewed on a monthly basis, and periodically, budget amendments are made.
5. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Commissioners' Court.
6. Appropriations lapse at year-end. Since the County intends to honor all commitments, subsequent year's appropriations provide authority to complete any transactions not completed in any year.
7. The estimated revenues and appropriations presented in the accompanying budgetary schedule are those of the County's General Fund. This includes several sub-funds that are aggregated with and reported in the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances. Certain other sub-funds that are aggregated with and reported in the General Fund in the Statement of Revenues, Expenditures and Changes in Fund Balances are not budgeted, and are therefore excluded from this schedule. A reconciliation is provided to reconcile the budgetary schedule with the Statement of Revenues, Expenditures and Changes in Fund Balances.
8. Overall expenditures exceeded total appropriations in the General Fund by \$2,333,355. Additionally, the County recognized greater than anticipated revenues of \$2,256,711.

**BOWIE COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**  
**AND RELATED RATIOS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Measurement Year Ended December 31	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>				
Service Cost	\$ 1,545,355	\$ 1,503,676	\$ 1,453,099	\$ 1,601,617
Interest total pension liability	5,418,464	5,168,892	4,972,790	4,759,118
Effect of plan changes	-	-	( 248,135)	-
Effect of assumption changes or inputs	342,115	-	721,843	-
Effect of economic/demographic (gains) or losses	( 204,134)	( 473,942)	( 581,363)	( 343,785)
Benefit payments/refunds of contributions	( 4,133,173)	( 3,726,059)	( 3,654,867)	( 3,426,501)
Net change in total pension liability	2,968,627	2,472,567	2,663,367	2,590,449
Total pension liability - beginning	<u>67,375,610</u>	<u>64,903,043</u>	<u>62,239,676</u>	<u>59,649,227</u>
Total pension liability - ending (a)	<u>\$ 70,344,237</u>	<u>\$ 67,375,610</u>	<u>\$ 64,903,043</u>	<u>\$ 62,239,676</u>
<b>Plan Fiduciary Net Position</b>				
Employer contributions	\$ 1,376,678	\$ 1,266,936	\$ 1,126,614	\$ 1,218,355
Member contributions	813,233	802,218	728,870	804,120
Investment income net of investment expenses	8,722,954	4,260,479	( 103,154)	3,850,885
Benefit payments and refunds of contributions	( 4,133,173)	( 3,726,059)	( 3,654,867)	( 3,426,501)
Administrative expenses	( 44,346)	( 46,384)	( 42,162)	( 44,882)
Other	<u>( 26,461)</u>	<u>( 328,962)</u>	<u>135,481</u>	<u>155,189</u>
Net change in plan fiduciary net position	6,708,885	2,228,229	( 1,809,220)	2,557,166
Plan fiduciary net position - beginning	<u>59,974,683</u>	<u>57,746,454</u>	<u>59,555,674</u>	<u>56,998,508</u>
Plan fiduciary net position - ending (b)	<u>\$ 66,683,568</u>	<u>\$ 59,974,683</u>	<u>\$ 57,746,454</u>	<u>\$ 59,555,674</u>
Net pension liability - ending (a) - (b)	<u>\$ 3,660,669</u>	<u>\$ 7,400,927</u>	<u>\$ 7,156,589</u>	<u>\$ 2,684,002</u>
Fiduciary net position as a percentage of total pension liability	95%	89%	89%	96%
Covered payroll	\$ 11,617,610	\$ 11,393,363	\$ 10,412,424	\$ 11,487,428
Net pension liability as a percentage of covered payroll	32%	65%	69%	23%

Note: GASB 68 requires 10 years of data be included in this schedule. Additional years will be added as they become available.



**BOWIE COUNTY, TEXAS**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Fiscal Year</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Pensionable Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2014	\$ 1,218,063	\$ 1,218,063	\$ -	\$ 11,727,962	10.4%
2015	1,130,721	1,130,721	-	10,505,446	10.8%
2016	1,230,199	1,230,199	-	11,133,639	11.0%
2017	1,347,984	1,347,984	-	11,552,744	11.7%
2018	1,428,301	1,428,301	-	11,916,846	12.0%

Note: GASB 68 requires 10 years of data be included in this schedule. Additional years will be added as they become available.

## BOWIE COUNTY, TEXAS

### NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

<b>Valuation Date</b>	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
<b>Actuarial Cost Method</b>	Entry age
<b>Amortization Method</b>	Level percentage of payroll, closed
<b>Remaining Amortization Period</b>	13.6 years (based on contribution rate calculated in 12/31/2017 valuation)
<b>Inflation</b>	2.75%
<b>Salary Increases</b>	Varies by age and service. 4.9% average over career including inflation.
<b>Investment Rate of Return</b>	8.00%, net of investment expenses, including inflation
<b>Retirement Age</b>	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.
<b>Mortality</b>	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.
<b>Other information:</b>	
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

**BOWIE COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**GROUP TERM LIFE FUND**  
**SEPTEMBER 30, 2018**

<b>Measurement Year Ended December 31</b>	<u><b>2017</b></u>
<b>Total OPEB liability</b>	
Service Cost	\$ 22,277
Interest on total OPEB liability	26,117
Changes in assumptions or other inputs	31,214
Differences between expected and actual experience	( 3,335)
Benefit payments	<u>( 25,559)</u>
Net change in total OPEB liability	50,714
Total OPEB liability - beginning	<u>681,298</u>
Total OPEB liability - ending	<u>\$ 732,012</u>
Covered-employee payroll	\$ 11,617,610
Total OPEB liability as a percentage of covered-employee payroll	6.30%

**Notes to Schedule:**

- No assets are accumulated in a trust for the plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
- This schedule is required to have 10 years of information, but the information prior to 2017 is not available.
- Included in the changes in assumptions is a decrease in the discount rate from 3.78% to 3.44%.

**BOWIE COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY**  
**AND RELATED RATIOS**  
**RETIREE HEALTH CARE PLAN**  
**SEPTEMBER 30, 2018**

<b>Measurement Year Ended September 30</b>	<u><b>2018</b></u>
<b>Total OPEB liability</b>	
Service Cost	\$ 185,653
Interest on total OPEB liability	174,683
Benefit payments	<u>( 248,141)</u>
Net change in total OPEB liability	112,195
Total OPEB liability - beginning	<u>4,240,954</u>
Total OPEB liability - ending	<u><u>\$ 4,353,149</u></u>
Covered-employee payroll	\$ 11,617,610
Total OPEB liability as a percentage of covered-employee payroll	37.47%

**Notes to Schedule:**

- No assets are accumulated in a trust for the plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.
- This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

**COMBINING  
FUND STATEMENTS**

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## **NONMAJOR SPECIAL REVENUE FUNDS**

***Special Revenue Funds*** are used to account for restricted revenue sources which by law or contract are designated to finance particular functions or activities of the County and which, therefore, cannot be diverted to other uses.

***Inmate Benefit*** – This fund is used to account for the County's share of commissary proceeds which may be used to develop a program addressing the social needs of the County prisoners; supply prisoners with certain supplies; establish, staff and equip the commissary operations; or fund, staff and equip a library for the educational use of County prisoners.

***Road and Bridge Lateral*** – This fund is used to account for receipts of state gasoline taxes allocated by the State of Texas. The monies are transferred to the General Fund as costs are accumulated for the maintenance of certain County roads.

***Law Library*** – This fund is used to account for the cost of maintaining the County's law library for public use. Financing is provided through fees charged as a part of court costs for cases processed through the Justice and District Courts.

***Title IV-E*** – This fund is used to account for grant monies received associated with administering Title IV-E child support payments.

***Drug Court Program*** – This fund is used to account for the Drug Court costs including the salary of the Drug Court Judge.

***Capital Murder Prosecution Grant*** – This fund is used to account for the Capital Murder Prosecution Grant Funds from the Criminal Justice Division.

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

	Special Revenue			
	Inmate Benefit	Road and Bridge Lateral	Law Library	Title IV-E
<b>ASSETS</b>				
Cash and investments	\$ 234,578	\$ 554,417	\$ -	\$ 54,513
Total assets	234,578	554,417	-	54,513
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	-	-	3,810	-
Due to other funds	-	-	105,921	-
Total liabilities	-	-	109,731	-
Fund balances:				
Restricted:				
Road improvements	-	554,417	-	-
Inmate benefit	234,578	-	-	-
Foster care	-	-	-	54,513
Drug Court	-	-	-	-
Unassigned	-	-	( 109,731)	-
Total fund balances	234,578	554,417	( 109,731)	54,513
Total liabilities and fund balances	\$ 234,578	\$ 554,417	\$ -	\$ 54,513



Special Revenue

<u>Drug Court Program</u>	<u>Capital Murder Prosecution Grant Fund</u>	<u>Total Governmental Funds</u>
\$ 17,689	\$ -	\$ 861,197
<u>17,689</u>	<u>-</u>	<u>861,197</u>
-	-	3,810
-	-	105,921
<u>-</u>	<u>-</u>	<u>109,731</u>
-	-	554,417
-	-	234,578
-	-	54,513
17,689	-	17,689
<u>-</u>	<u>-</u>	<u>( 109,731)</u>
<u>17,689</u>	<u>-</u>	<u>751,466</u>
<u>\$ 17,689</u>	<u>\$ -</u>	<u>\$ 861,197</u>

**BOWIE COUNTY, TEXAS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**NONMAJOR GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue			
	Inmate Benefit	Road and Bridge Lateral	Law Library	Title IV-E
<b>REVENUES</b>				
Taxes	\$ -	\$ 74,415	\$ -	\$ -
Charges for services	73,727	-	29,387	-
Intergovernmental	-	-	-	31,585
Total revenues	73,727	74,415	29,387	31,585
<b>EXPENDITURES</b>				
Current:				
Public safety	113,197	-	50,371	-
Health and welfare	-	-	-	103,766
Total expenditures	113,197	-	50,371	103,766
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	( 39,470)	74,415	( 20,984)	( 72,181)
<b>FUND BALANCES, BEGINNING</b>	274,048	480,002	( 88,747)	126,694
<b>FUND BALANCES, ENDING</b>	\$ 234,578	\$ 554,417	\$( 109,731)	\$ 54,513

Special Revenue

<u>Drug Court Program</u>	<u>Capital Murder Prosecution Grant Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 74,415
-	-	103,114
<u>6,315</u>	<u>80,625</u>	<u>118,525</u>
<u>6,315</u>	<u>80,625</u>	<u>296,054</u>
-	80,625	244,193
-	-	<u>103,766</u>
<u>-</u>	<u>80,625</u>	<u>347,959</u>
6,315	-	( 51,905)
<u>11,374</u>	<u>-</u>	<u>803,371</u>
<u>\$ 17,689</u>	<u>\$ -</u>	<u>\$ 751,466</u>

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## AGENCY FUNDS

**State of Texas** – This fund is used to account for the collection and payment of auto registration fees, sales taxes on automobiles, and court costs included in the collection of fines assessed by the courts for misdemeanors and felonies on behalf of the State of Texas.

**Tax Office** – This fund is used to account for funds held by the Tax Office as an agent for other taxing entities.

**District Attorney Evidence** – This fund is used to account for evidence money obtained by the County and held until disposition as directed by the Courts.

**Inmate Escrow** – This fund is used to account for monies of County inmates held in escrow on their behalf. The monies are disbursed to the jail commissary and other parties upon direction from the inmates.

**Local Provider Participation Fund** – This fund is used to account for revenues from mandatory payments that may be required by the County from an institutional health care provider to fund certain intergovernmental transfers and indigent care programs.

**County Clerk Guardianship** – This fund is used to account for interest earnings and principal cash established by the Court for various minors within the Court's jurisdiction. Upon attainment of the age of majority, the funds are remitted to the individuals.

**District Clerk** – These funds are used to account for monies of various individuals or firms held by the County in connection with litigation in progress in the District Courts.

**Other Agency** – This fund is used to account for various monies collected or deposited with the County associated with activities such as bail bonds of individuals, restitution and attorneys' fees awarded by the Courts, and miscellaneous fees collected by the County Sheriff for various other local governments. The monies are disbursed to the parties for whom the assets are held by order of the Courts.

**Levee and Drainage** – This fund is used to account for earnings on a time deposit of the Bowie County Levee and Drainage Fund and to periodically pay expenses authorized by the Levee and Drainage Board.

**Adult Probation** – This fund is used to account for monies held by the County as an agent for the Bowie County Community Supervision and Corrections Department.

**Juvenile Probation** – This fund is used to account for monies held by the County as an agent for the Bowie County Juvenile Probation Department.

**BOWIE COUNTY, TEXAS**

**AGENCY FUNDS**

**COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**SEPTEMBER 30, 2018**

	<u>Agency Funds</u>				
	<u>State of Texas</u>	<u>Tax Office</u>	<u>District Attorney Evidence</u>	<u>Inmate Escrow</u>	<u>Local Provider Participation</u>
<b>ASSETS</b>					
Cash and investments	\$ <u>233,152</u>	\$ <u>1,225,535</u>	\$ <u>303,071</u>	\$ <u>140,190</u>	\$ <u>22,840,768</u>
Total assets	\$ <u>233,152</u>	\$ <u>1,225,535</u>	\$ <u>303,071</u>	\$ <u>140,190</u>	\$ <u>22,840,768</u>
<b>LIABILITIES</b>					
Due to others	\$ <u>233,152</u>	\$ <u>1,225,535</u>	\$ <u>303,071</u>	\$ <u>140,190</u>	\$ <u>22,840,768</u>
Total liabilities	\$ <u>233,152</u>	\$ <u>1,225,535</u>	\$ <u>303,071</u>	\$ <u>140,190</u>	\$ <u>22,840,768</u>

Agency Funds

<u>County Clerk Guardianship</u>	<u>District Clerk</u>	<u>Other Agency</u>	<u>Levee &amp; Drainage</u>	<u>Adult Probation</u>	<u>Juvenile Probation</u>	<u>Totals</u>
<u>\$ 543,072</u>	<u>\$ 1,458,444</u>	<u>\$ 248,547</u>	<u>\$ 17,620</u>	<u>\$ 2,010,917</u>	<u>\$ 121,407</u>	<u>\$ 29,142,723</u>
<u>\$ 543,072</u>	<u>\$ 1,458,444</u>	<u>\$ 248,547</u>	<u>\$ 17,620</u>	<u>\$ 2,010,917</u>	<u>\$ 121,407</u>	<u>\$ 29,142,723</u>
<u>\$ 543,072</u>	<u>\$ 1,458,444</u>	<u>\$ 248,547</u>	<u>\$ 17,620</u>	<u>\$ 2,010,917</u>	<u>\$ 121,407</u>	<u>\$ 29,142,723</u>
<u>\$ 543,072</u>	<u>\$ 1,458,444</u>	<u>\$ 248,547</u>	<u>\$ 17,620</u>	<u>\$ 2,010,917</u>	<u>\$ 121,407</u>	<u>\$ 29,142,723</u>

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# **COMPLIANCE SECTION**

**INDEPENDENT AUDITORS' 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**

To the Honorable County Judge  
and Members of the Commissioners Court  
Bowie County, Texas  
New Boston, Texas

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 Bowie 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, and have issued our report thereon dated May 9, 2019.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. 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 County'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 County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Pattillo, Brown & Hill, LLP*

Waco, Texas  
May 9, 2019