

ANDERSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

**Prepared by:
Anderson County Auditor's Office**

**Stan Chambers, CPA
County Auditor**

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ANDERSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

**Page
Number**

INTRODUCTORY SECTION

Letter of Transmittal..... i-iii
Organizational Chart..... iv
Principal Officials v

FINANCIAL SECTION

Independent Auditor’s Report..... 1-3
Management’s Discussion and Analysis 4-10
Basic Financial Statements:
 Government-wide Financial Statements:
 Statement of Net Position 11
 Statement of Activities..... 12
 Fund Financial Statements:
 Balance Sheet – Governmental Funds 13
 Reconciliation of the Balance Sheet of the Governmental
 Funds to the Statement of Net Position..... 14
 Statement of Revenues, Expenditures and Changes in
 Fund Balances – Governmental Funds 15
 Reconciliation of Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities 16

ANDERSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

**Page
Number**

FINANCIAL SECTION

Fund Financial Statements:

Statement of Net Position – Proprietary Fund	17
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	18
Statement of Cash Flows – Proprietary Fund	19
Statement of Assets and Liabilities – Agency Funds.....	20
Notes to the Basic Financial Statements	21-44

Required Supplementary Information:

Schedule of Changes in Total OPEB Liability and Related Ratio.....	45
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	46
Notes to Required Supplementary Information – Budgetary Schedule.....	47
Schedule of Changes in Net Position Liability and Related Ratios	48-49
Schedule of Employer Contributions - TCDRS.....	50
Notes to Schedule of Employer Contributions	51

ANDERSON COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

TABLE OF CONTENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

**Page
Number**

FINANCIAL SECTION

Combining Fund Statements:

Nonmajor Governmental Funds:

Nonmajor Governmental Funds – Purpose of Funds.....	52-55
Combining Balance Sheet.....	56-61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	62-67

Agency Funds:

Agency Funds – Purpose of Funds	68
Combining Statement of Changes in Assets and Liabilities – Agency Funds	69-70
Independent Auditor’s Report on Internal Control	71-72

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INTRODUCTORY SECTION

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Stan Chambers
County Auditor



ANDERSON COUNTY AUDITOR
703 N. Mallard St. Suite 110
Palestine, TX 75801
Phone: (903) 723-7401
Fax: (903) 723-7808

November 15, 2019

The Honorable Board of District Judges,
The Anderson County Commissioners Court and
Citizens of Anderson County

In compliance with *Texas Local Government Code, §114.025*, the financial statements of Anderson County, Texas (the "County") are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to the requirement, we hereby submit the comprehensive annual financial report of the County for the fiscal year ended December 31, 2018.

This report consists of management's representations concerning the finances of the County. Therefore, management of the County assumes the responsibility for accuracy, completeness, fairness and reliability of the financial data presented in this report, including all disclosures. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, The County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. Responsibility for internal controls is shared by the Commissioners Court, which is the governing body of the County, the County Auditor, who is appointed by the District Judges, and the County Treasurer. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's basic financial statements have been audited by Pattillo, Brown and Hill, LLP. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended December 31, 2018, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and evaluating the overall financial statement presentation. The independent auditors concluded based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the County's financial statements are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The introductory section includes this transmittal letter, the county's organizational chart and a list of officials. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found in the financial section following the report of the independent auditors. The financial section of this report also includes government-wide financial statements, fund financial statements, notes to the financial statements, required supplementary information and the combining and individual fund financial statements and schedules in addition to the report of the independent auditors. The statistical section of this report includes selected financial and demographic information. This information is generally presented on a multi-year basis.

PROFILE OF ANDERSON COUNTY

Anderson County is located in East Texas between the Trinity and the Neches rivers. Palestine, the county's largest town and its county seat, is 108 miles southeast of Dallas and 153 miles north of Houston. U.S. highways 287, 79, and 84 provide the major transportation routes through the county. The County is the 52nd largest of the 254 counties in Texas; with a 2010 census population of 58,458. Significant cities in The County include Palestine, the county seat, Elkhart, and Frankston. The County falls within the 11th Texas congressional districts and the 3rd Texas senatorial district. The county consists of 1,077 square miles with a 2000 population density 51.2 residents per square mile.

The County is a political subdivision of the State of Texas. The Commissioners Court, which is composed of four Commissioners and the County Judge, is the general governing body of the County in accordance with Article 5 Paragraph 18 of the Texas Constitution. Commissioners serve four-year staggered terms, two members elected every two years. The County Judge is elected at large to serve a four-year term.

The Commissioners Court sets the tax rate, establishes policies for County operations, approves contracts for the County and develops and adopts the County budget within the resources as estimated by the County Judge as assisted by the County Auditor. The Commissioners Court is also responsible for developing policies and orders, approving financial commitments and appointing various department heads. The management and leadership provided by members of the Commissioners Court and the elected and appointed officials of other key County offices is crucial to the success of the County in financial management and growth.

The County Auditor has responsibilities for prescribing the systems and procedures for handling the finances of the County and "examining, auditing and approving" all disbursements from County funds prior to their submission to the Commissioners Court for approval.

The County provides many services not ordinarily provided by any other entity of government and provides additional services in cooperation with other local government units. The County provides the following services as authorized by the statutes of the State of Texas: general government (e.g., tax collection), judicial (e.g., courts, juries, district attorney, etc.), public safety (e.g., sheriff, jail, etc.), roads and highways and health and welfare (e.g., assistance to indigents).

The annual budget serves as the foundation for the County's planning and control. Budget hearings are posted annually in July, August and September, with the final budget approved by the Commissioners Court following the hearings. The final budget includes contingency and emergency reserve line items. Unencumbered appropriations lapse at fiscal year-end. Most appropriated budgets are prepared by fund, function, department and category. Capital expenditures are approved on a line item basis. Budget to

actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted.

FACTORS AFFECTING FINANCIAL CONDITION

An understanding of the financial condition of the County is enhanced when it is considered from the broader perspective of the specific environment within which the County operates.

Local Economy - The County maintains a relatively stable local economy. The County has a somewhat limited tax base and economic employment base with the top ten taxpayers in the County accounting for approximately 16% of the County's tax base.

Primary employers in the County include the Texas Department of Corrections facility (2645 employees), a Wal-Mart Stores Inc. distributing center (1260), Sanderson Farms (1075) and Palestine Regional Medical Center (560). For April 2019, the County's unemployment rate of 3.1% was lower than the state's rate of 3.7% and below the national average of 3.9%.

The County's tax base increased in 2018 due to an increase in real property and in mineral valuations. The Commissioners Court is continuing to take a conservative approach to the allocation of resources in order to ensure that the County is prepared for economic fluctuations.

Relevant Financial Policies – The County adopts a one-year budget as part of its financial planning process. The budgets along with the financial policies of the County serve as the basis for the overall fiscal management of the county's resources. The budget implements strategies, both financial and operational, identified through the strategic and long-range planning process to meet existing challenges and to effectively plan for future needs. Goals and objectives are incorporated into policy statements which are continually reevaluated to provide the necessary structure for achieving these goals.

Long-term Financial Planning – Long term financial planning goals include the following:

- Operate the County government in the most fiscally responsible manner possible.
- Control expenditures by implementing cost savings measures at any opportunity.
- Promote a favorable environment for retaining and expanding existing businesses while attracting a wide variety of new businesses to provide economic growth and development which will provide sufficient resources to fund County operations while mitigating the overall tax burden on County taxpayers.
- Implement technological solutions to improve the efficiency and effectiveness of operations,

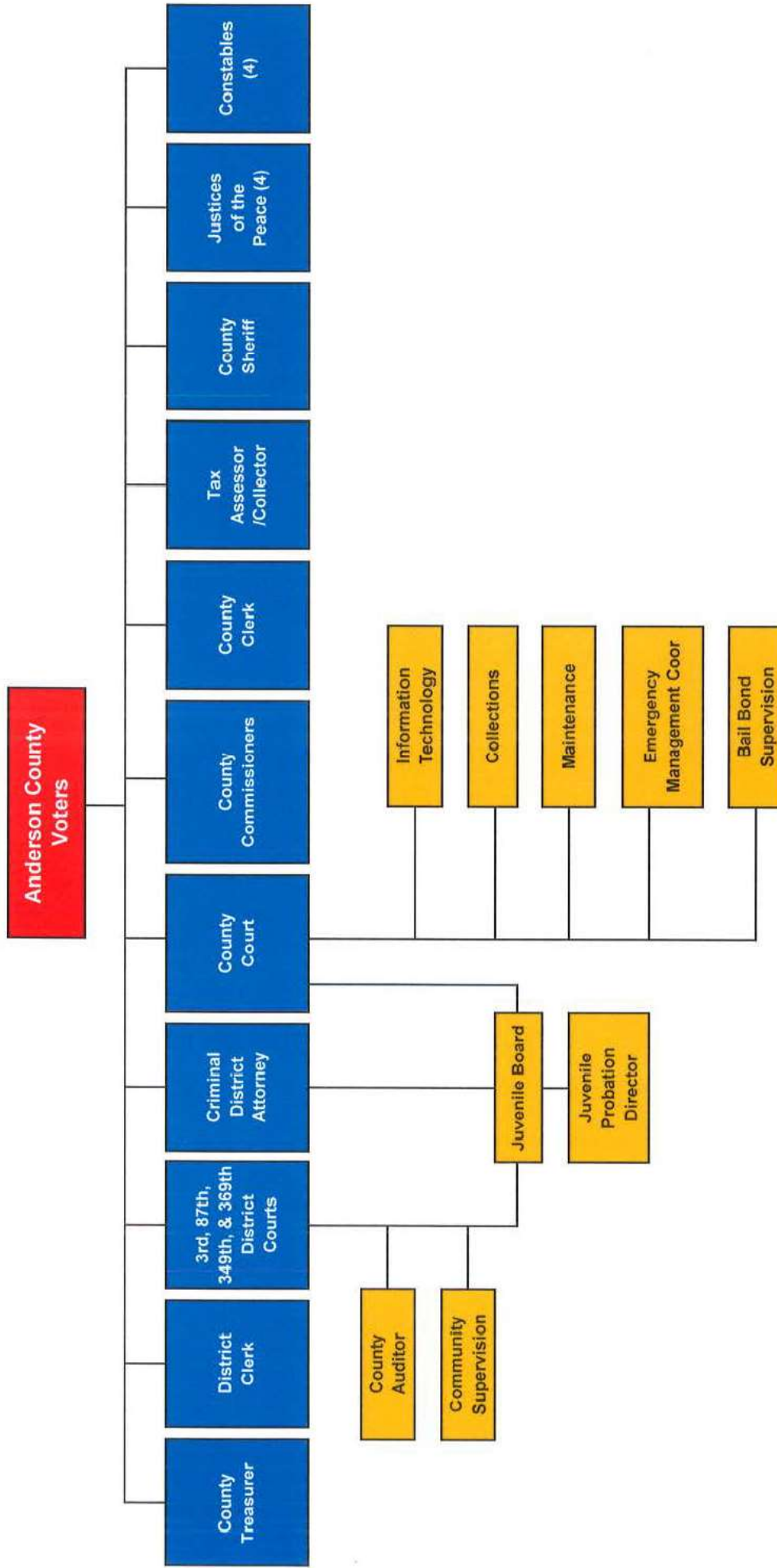
The successful completion of this report could not have been achieved without the dedicated efforts of the staff of the County Auditor's Office and the professional services provided by our independent auditors, Pattillo, Brown and Hill, LLP. I wish to express my gratitude to the District Judges, the Commissioners Court, and the other County officials and departments for their support in planning and conducting the financial affairs of the County in a responsible and progressive manner.

Respectfully submitted,



Stan Chambers
Anderson County Auditor

**ANDERSON COUNTY, TEXAS
ORGANIZATIONAL CHART
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018**



ANDERSON COUNTY, TEXAS
PRINCIPAL OFFICIALS

Commissioners Court

Robert D. Johnston
Greg Chapin
Rashad Q. Mims, I
Kenneth Dickson
Joseph A. Hill

County Judge
Commissioner, Precinct 1
Commissioner, Precinct 2
Commissioner, Precinct 3
Commissioner, Precinct 4

Judicial

Mark Calhoon
Deborah Oakes Evans
Pam Foster Fletcher
C. Michael Davis
Brendan J. Doran

Judge, 3rd District Court
Judge, 87th District Court
Judge, 349th District Court
Judge, 369th District Court
Judge, County Court of Law

Law Enforcement

Greg Taylor
Allyson Mitchell
Emily Lane*

County Sheriff
Criminal District Attorney
Chief Juvenile Probation Director

Financial Administration

Stan Chambers, CPA *
Tara Holliday
Teri Hanks

County Auditor
County Treasurer
County Tax Assessor/Collector

Recording Officials

Teresa Coker
Mark Staples

District Clerk
County Clerk

*Denotes appointed officials. All others listed are elected.

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge and
Commissioners' Court
Anderson County, Texas

Report of the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Texas (the "County"), as of and for the year ended December 31, 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.

Auditors' 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

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque



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 the County as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, 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 the notes to the financial statements, in fiscal year 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 listed 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 introductory section and 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.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 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, L.L.P.

Waco, Texas
November 15, 2019

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**MANAGEMENT'S
DISCUSSION AND ANALYSIS**

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Management's Discussion and Analysis

As management of Anderson County (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the County's financial statements.

FINANCIAL HIGHLIGHTS

- The net position of the County at the close of the most recent fiscal year was \$31,901,829. Of this amount, \$5,452,942 (unrestricted net position) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's total net position increased by \$1,289,033, from operations.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$16,548,217 an increase of \$3,993,228 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$8,183,170, or 37% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Both of the 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 a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, judicial, public safety, social services, and roads and bridges.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental, proprietary, and fiduciary funds.

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

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

The County maintains 36 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Anderson County utilizes and maintains budgetary controls over its operating funds. Budgetary controls are used to ensure compliance with legal provisions required under state statute governing the annual appropriated budget. Budgets for governmental funds are established in accordance with state law and are adopted at the department and account line item levels for all funds. Appropriations for Capital Projects Funds are approved on an annual basis. The Required Supplementary Information contains a budget comparison for the General Fund. The comparison schedule is used to demonstrate compliance with the budget both as originally adopted and as finally amended.

Proprietary Funds. The County maintains one type of proprietary fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses its Internal Service Fund to account for its health insurance. This internal service function has been included within governmental activities in the government-wide financial statements.

Fiduciary Funds. 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 financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the County’s progress in funding its obligation to provide pension and OPEB benefits to its employees. Additionally, a budgetary comparison schedule for the General Fund has been provided to demonstrate compliance with the budget. Required supplementary information can be found immediately following the notes to the financial statements.

This report also contains other supplementary information in the form of combining fund statements that further support the information in the financial statements. The combining fund statements are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the County, net position was \$31,901,829 at the close of the most recent fiscal year.

The County’s investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding, is 66% of net position. The County uses these capital assets 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 the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Anderson County’s Net Position

	Governmental Activities	
	2,018	2,017
Current and other assets	\$ 35,488,844	\$ 21,746,882
Capital assets	41,447,780	36,085,869
Total assets	<u>76,936,624</u>	<u>57,832,751</u>
Deferred outflows of resources	1,567,510	3,517,226
Long-term liabilities	28,374,527	20,155,271
Other liabilities	1,521,049	1,605,654
Total liabilities	<u>29,895,576</u>	<u>21,760,925</u>
Deferred inflows of resources	16,706,729	5,398,377
Net position:		
Net investment in capital assets	24,170,696	26,446,299
Restricted	2,278,191	2,261,659
Unrestricted	5,452,942	5,482,717
Total net position	<u>\$ 31,901,829</u>	<u>\$ 34,190,675</u>

An additional portion of the County's net position, \$ 2,278,191 (8%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, \$5,452,942 (17%), may be used to meet the County's ongoing obligations to citizens and creditors.

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

Statement of activities. Governmental activities increased the County's net position by \$ 1,289,033.

Anderson County's Changes in Net Position

	Governmental Activities	
	2018	2017
REVENUES		
Program revenues:		
Charges for services	\$ 3,197,872	\$ 3,472,067
Operating grants and contributions	1,016,344	1,369,903
Capital grants and contributions	252,663	696,405
General revenues:		
Property taxes	14,507,737	14,397,389
Sales taxes	2,810,709	2,570,394
Other taxes	41,381	58,424
Investment earnings	272,377	97,512
Gain on sale of capital assets	340,451	24,970
Miscellaneous	282,963	182,110
Total revenues	22,722,497	22,869,174
EXPENSES		
General government	5,315,568	5,723,584
Judicial	3,287,967	3,375,269
Public safety	6,297,323	6,951,529
Social services	719,661	1,023,061
Roads and bridges	5,121,774	6,289,680
Interest on long-term debt	691,170	470,313
Total expenses	21,433,463	23,833,436
CHANGE IN NET POSITION	1,289,033	(964,262)
NET POSITION, BEGINNING	34,190,675	35,154,937
Prior Period Adjustment	(3,577,879)	-
NET POSITION, ENDING	\$ 31,901,829	\$ 34,190,675

Sales tax increased by \$240,315 due to economic decline. Capital grants and contributions decreased by \$443,742 and operating grants and contributions decreased by \$353,559 as a result of changes in funding activities from granting agencies. Road and Bridge expenditures decreased by \$1,167,906 due to the usage of road bonds. Investment earnings rose due to increasing interest rates.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

Governmental funds. 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. The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,183,170. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 39% of total General Fund expenditures.

The fund balance of the County's General Fund increased by \$1,641,710 during the current fiscal year. Property tax collections increased by \$320,863 and sales tax collections increased by \$240,315. Expenditures for the General Fund for 2018 decreased by \$50,210 from the prior year due to Road and Bridge construction in the prior year.

Proprietary Fund. Unrestricted net position of the Internal Service Fund is \$306,501. The Internal Service Fund experienced an increase in total net position during 2018 in the amount of \$150,859. Expenditures for the Internal Service Fund decreased by \$150,859. The decrease was caused by the discontinuation of self-funded health insurance.

General Fund Budgetary Highlights

The following are significant variations between the final budget and actual amounts in the General Fund:

- Actual revenues were higher than budgeted by \$638,113; primarily due to an increase in investment earnings and sales tax.
- Actual expenditures were lower than budgeted by \$1,283,797, primarily due to budgetary controls and adherence to adopted budgets across all departments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The County’s investment in capital assets for its governmental activities as of December 31, 2018, amounted to \$41,447,781 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, construction in progress, buildings and improvements, and machinery and equipment.

**Anderson County’s Capital Assets
(net of depreciation)**

	Governmental Activities	
	2018	2017
Land	\$ 1,985,032	\$ 1,810,032
Buildings and improvements	15,897,310	15,846,710
Roads and bridges	19,833,432	15,730,627
Machinery and equipment	3,732,007	2,308,354
Construction in progress	-	390,146
Total	\$ <u>41,447,781</u>	\$ <u>36,085,869</u>

Major additions to the County’s capital assets during 2018 include \$5,365,129 of road and bridge additions, \$2,408,615 of new equipment and machinery, and \$668,593 of buildings and improvements.

Additional information on the County’s capital assets can be found in Note 2 to the financial statements.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt of \$18,180,000.

**Anderson County’s Outstanding Debt
General Obligation Bonds**

	Governmental Activities	
	2018	2017
Bonds	\$ <u>18,180,000</u>	\$ <u>12,495,000</u>
Total	\$ <u>18,180,000</u>	\$ <u>12,495,000</u>

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the County is \$ 133,985,819, which is significantly in excess of the County’s outstanding general obligation debt.

Additional information on the County’s long-term debt can be found in Note 2 to the financial statements.

Economic Factors and Next Year's Budgets and Rates

In considering the Anderson County budget for FY 2019, the Commissioners Court considered the following factors:

- The unemployment rate for the County is currently 3.1 percent, which is an increase from the rate of 3.0 percent a year ago.
- Interest rates and corresponding revenue is expected to continue to increase slowly over the next couple of year.
- Expenditures in FY 2019 were budgeted to provide zero dependence on fund balance for ongoing operations.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's office, 703 N. Mallard, Suite 110, Palestine, TX 75801.

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**BASIC
FINANCIAL STATEMENTS**

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ANDERSON COUNTY

Statement of Net Position

For the Year Ended December 31, 2018

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 22,684,357
Receivables (net of allowances for uncollectible):	
Accounts	984,151
Property taxes	10,925,791
Other taxes	470,453
Due from other governments	35,633
Due from other entities	162
Prepaid expenses	388,297
Capital assets	103,852,806
Accumulated depreciation	<u>(62,405,026)</u>
Total assets	<u>76,936,624</u>
 Deferred Outflows of Resources	
Deferred outflows related to pensions	1,304,029
Deferred loss on bond refunding	263,481
Total deferred outflows of resources	<u>1,567,510</u>
 Liabilities	
Accounts payable	582,731
Accrued liabilities	365,519
Due to other governments	119,046
Due to other entities	15,579
Other payables	48,247
Bonds payable	18,180,000
Premium on bonds	1,259,678
Notes payable	33,455
Capital Leases	1,555,829
Total OPEB liability	4,368,252
Net pension liability	2,721,555
Compensated absences	255,758
Interest payable	389,927
Total liabilities	<u>29,895,576</u>
 Deferred Inflows of Resources	
Property taxes levied for future periods	9,997,380
Advance property tax collections	5,623,491
Deferred inflows related to pensions	1,085,858
Total deferred inflows of resources	<u>16,706,729</u>
 Net Position	
Net investment in capital assets	24,170,696
Restricted for:	
General government	336,719
Judicial operations	659,668
Public safety operations	439,328
Social services operations	61,424
Roads and bridges	109,587
Debt service	671,465
Unrestricted	<u>5,452,942</u>
Total net position	<u>\$ 31,901,829</u>

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

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ANDERSON COUNTY

Statement of Activities

For the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental activities:					
General government	\$ 5,315,568	\$ 2,018,168	\$ 165,374	\$ -	\$ (3,132,026)
Judicial	3,287,967	810,432	384,340	-	(2,093,195)
Public safety	6,297,323	348,841	379,348	120,963	(5,448,171)
Social Services	719,661	4,431	33,935	-	(681,295)
Roads and bridges	5,121,775	16,000	53,348	131,700	(4,920,727)
Interest on long-term debt	691,170	-	-	-	(691,170)
Total governmental activities	\$ 21,433,464	\$ 3,197,872	\$ 1,016,345	\$ 252,663	\$ (16,966,584)
General revenues:					
Taxes:					
Property					14,507,737
Sales					2,810,709
Other					41,381
Unrestricted investment earnings					272,376
Gain on sale of capital assets					340,451
Miscellaneous					282,963
Total general revenues					18,255,617
Change in net position					1,289,033
Net position, beginning					34,190,675
Prior period adjustment					(3,577,879)
Net position, ending					\$ 31,901,829

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

ANDERSON COUNTY, TEXAS

Balance Sheet

Governmental Funds

December 31, 2018

	General	Capital Projects	Other Governmental	Total Governmental Funds
Assets:				
Cash and Investments	\$ 12,982,818	\$ 5,577,326	\$ 3,398,752	\$ 21,958,896
Receivables (net of allowances for estimated uncollectibles):				
Accounts	984,151	-	-	984,151
Property Taxes	9,263,034	5,415	1,657,342	10,925,791
Other Taxes	470,453	-	-	470,453
Prepaid Assets	388,297	-	-	388,297
Due from Other Governments	-	-	35,632	35,632
Due from Other Funds	450,202	354,744	5,024	809,970
Total Assets	\$ 24,538,955	\$ 5,937,485	\$ 5,096,750	\$ 35,573,190
Liabilities:				
Accounts Payable	\$ 315,957	\$ 233,550	\$ 33,224	\$ 582,731
Accrued Liabilities	353,248	-	12,271	365,519
Due to Other Governments	119,046	-	-	119,046
Due to Other Funds	156,914	-	233,933	390,847
Due to Other Entities	15,579	-	-	15,579
Other Payables	30,186	-	18,061	48,247
Total Liabilities	990,930	233,550	297,489	1,521,969
Deferred Inflows of Resources:				
Advanced property tax collections	4,758,115	-	865,376	5,623,491
Unavailable Revenue - property taxes	9,237,077	5,376	1,653,444	10,895,897
Unavailable Revenue - grants	-	-	2,250	2,250
Unavailable Revenue - court fines & fees	981,366	-	-	981,366
Total Deferred Inflows of Resources	14,976,558	5,376	2,521,070	17,503,004
Fund Balances:				
Nonspendable				
Prepaid Items	388,297	-	-	388,297
Restricted for:				
General Government	-	-	336,719	336,719
Judicial operations	-	-	659,668	659,668
Public Safety operations	-	-	439,328	439,328
Social Services operations	-	-	61,424	61,424
Roads & Bridges	-	-	109,587	109,587
Debt Service	-	-	671,465	671,465
Capital acquisition and construction	-	5,698,559	-	5,698,559
Unassigned	8,183,170	-	-	8,183,170
Total Fund Balances	8,571,467	5,698,559	2,278,191	16,548,217
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 24,538,955	\$ 5,937,485	\$ 5,096,750	\$ 35,573,190

ANDERSON COUNTY, TEXAS

Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position

December 31, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances - governmental funds:		\$ 16,548,217
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	103,852,806	
Less: accumulated depreciation	<u>(62,405,026)</u>	
		41,447,780
An Internal Service Fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the Internal Service Fund are included in the governmental activities in the Statement of Net Position.		
		306,501
Some of the County's revenue will be collected after year-end, but are not available soon enough to pay current year's expenditures and therefore are not reported in the governmental funds.		
Grants	2,250	
Property taxes	898,517	
Court fines	<u>981,366</u>	
		1,882,133
Certain long-term liabilities reported in governmental activities do not require current financial resources and therefore are not reported in the governmental funds balance sheet. A summary of these items are as follows:		
Long-term liabilities:		
Bonds payable	(18,180,000)	
Premium on bond	(1,259,678)	
Notes payable	(33,455)	
Capital leases	(1,555,829)	
Net OPEB obligation	(4,368,252)	
Net pension liability	(2,721,555)	
Compensated absences	<u>(255,758)</u>	
		(28,374,527)
Certain deferred inflows and deferred outflows of resources are only reported in the government-wide financial statements:		
Deferred outflows of resources:		
Related to pensions	1,304,029	
Deferred loss on bond refunding	263,481	
Deferred inflows of resources:		
Related to pensions	<u>(1,085,858)</u>	
		481,652
Interest payable used in County's governmental activities are not payable from current resources and therefore are not reported in governmental funds.		
		<u>(389,927)</u>
Net position of governmental activities		<u>\$ 31,901,829</u>

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

ANDERSON COUNTY, TEXAS

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

For the Year Ended December 31, 2018

	General	Capital Projects	Other Governmental	Total Governmental Funds
Revenues:				
Taxes				
Property	12,868,510	\$ 529	\$ 2,085,348	\$ 14,954,387
Sales	2,810,709	-	-	2,810,709
Mixed Beverage	41,381	-	-	41,381
Intergovernmental	634,561	-	771,351	1,405,912
Fees of Office	2,323,695	-	8,874	2,332,569
Fines and Forfeitures	492,129	-	297,012	789,141
Investment Earnings	244,449	25,844	2,083	272,376
Miscellaneous	201,109	-	81,857	282,966
Total Revenues	19,616,543	26,373	3,246,525	22,889,441
Expenditures:				
Current:				
General Government	4,485,747	-	306,108	4,791,855
Judicial	2,977,677	-	283,935	3,261,612
Public Safety	5,261,608	-	654,963	5,916,571
Social Services	683,703	-	31,709	715,412
Roads & Bridges	3,744,060	-	302,211	4,046,271
Debt Service:				
Principal	43,606	-	2,363,290	2,406,896
Interest and other charges	1,487	-	580,589	582,076
Capital Outlay	658,642	4,910,287	1,691,334	7,260,263
Total Expenditures	17,856,530	4,910,287	6,214,139	28,980,956
Excess (Deficiency) of				
Revenue over Expenditures	1,760,013	(4,883,914)	(2,967,614)	(6,091,515)
Other Financing Sources (Uses):				
Issuance of Bonds	-	6,635,000	-	6,635,000
Premium on issuance of debt	-	516,014	-	516,014
Proceeds from capital lease	-	-	1,555,829	1,555,829
Sale of capital assets	149,680	-	1,205,002	1,354,682
Insurance recoveries	23,218	-	-	23,218
Transfers In	-	-	294,428	294,428
Transfers Out	(291,201)	(3,227)	-	(294,428)
Total Other Financing Sources (Uses)	(118,303)	7,147,787	3,055,259	10,084,743
Net Change in Fund Balance				
	1,641,710	2,263,873	87,645	3,993,228
Fund Balance at Beginning of Year	6,929,757	3,434,686	2,190,546	12,554,989
Fund Balance at End of Year	8,571,467	\$ 5,698,559	\$ 2,278,191	\$ 16,548,217

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

ANDERSON 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 December 31, 2018

Net change in fund balances - total governmental funds:	\$	3,993,228
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.		
Expenditures for capital assets	8,227,190	
Less: current year depreciation	<u>(3,145,811)</u>	5,081,379
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.		
		(1,014,229)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	(136,904)	
Property taxes	(446,649)	
Court fines	<u>52,942</u>	(530,611)
The issuance of long-term debt (e.g., certificates of obligation, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt is an expenditure in the governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Repayment of long-term liabilities	2,406,896	
Issuance of bonds	(6,635,000)	
Premium on issue of debt	(516,016)	
Proceeds of capital lease	(1,555,829)	
Amortization of:		
Deferred loss on bond refunding	(52,700)	
Premium on bond issuance	<u>79,305</u>	(6,273,344)
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.		
Compensated absences	(47,164)	
OPEB obligation	(41,282)	
Net pension liability	<u>141,862</u>	53,416
Accrual interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.		
		(171,665)
Internal Service Funds are used by management to charge the costs of certain activities, such as health insurance, to individual funds. The net revenue (expense) of certain Internal Service Funds is reported with governmental activities.		
		<u>150,859</u>
Change in net position of governmental activities	\$	<u><u>1,289,033</u></u>

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

ANDERSON COUNTY, TEXAS

Statement of Net Position

Proprietary Fund

December 31, 2018

	<u>Governmental Activities - Self-Insurance</u>
Assets	
Cash and Investments	\$ 725,462
Due from Other Entities	<u>162</u>
Total Assets	<u>725,624</u>
Liabilities	
Due to Other Funds	<u>419,123</u>
Total Liabilities	<u>419,123</u>
Net Position	
Unrestricted	<u>306,501</u>
Total Net Position	<u><u>\$ 306,501</u></u>

ANDERSON COUNTY, TEXAS

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund

For the Year Ended December 31, 2018

	<u>Governmental Activities - Self-Insurance</u>
Operating Revenues	
Recovery of prior year expense	\$ 150,859
Total Operating Revenues	<u>150,859</u>
Operating Expenses	
Total Operating Expenses	<u>-</u>
Operating Income	150,859
Non-Operating Revenues (Expenses)	
Total Non-Operating Revenues (Expenses)	<u>-</u>
Change in Net Position	150,859
Total Net Position, Beginning	<u>155,642</u>
Total Net Position, Ending	<u><u>\$ 306,501</u></u>

ANDERSON COUNTY, TEXAS

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2018

	<u>Governmental Activities - Self-Insurance</u>
Cash Flows From Operating Activities	
Net cash provided (used) by operating activities	<u>\$ (162)</u>
Cash Flows From Noncapital Financing Activities	
Transfer from other funds	<u>419,028</u>
Net cash provided by noncapital financing activities	<u>419,028</u>
Cash Flows From Investing Activities	
Net cash provided by investing activities	<u>-</u>
Net Increase in Cash and Cash Equivalents	418,866
Cash and Cash Equivalents, Beginning	<u>306,596</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 725,462</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 150,859
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
Decrease (increase) in assets:	
Due from other entities	(162)
(Decrease) increase in liabilities:	
Claims payable	<u>(150,859)</u>
Net cash provided (used) by operating activities	<u><u>\$ (162)</u></u>

ANDERSON COUNTY, TEXAS

Statement of Assets and Liabilities All Agency Funds

December 31, 2018

Assets	
Cash and Investments	<u>\$ 3,368,460</u>
Total Assets	<u><u>\$ 3,368,460</u></u>
Liabilities	
Due to Others	<u>\$ 3,368,460</u>
Total Liabilities	<u><u>\$ 3,368,460</u></u>

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**NOTES TO
FINANCIAL STATEMENTS**

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ANDERSON COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to the accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in Governmental Accounting and Financial Reporting Standards. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. Reporting Entity

Anderson County, Texas was created in 1846 with Palestine as the County seat. The County is governed by an elected Commissioners Court consisting of four precinct commissioners and the County Judge. The County provides the following services as authorized by the statutes of the State of Texas: general government (e.g., tax collection), judicial (e.g., courts, juries, district attorney, etc.), public safety (e.g., sheriff, jail, etc.), roads and bridges and social services (e.g., assistance to indigents).

A financial reporting entity consists of the primary government and its component units. Component units are legally separate organization for which the elected officials of the County are financially accountable, or the relationship to the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the County's operations and so data from these units are combined with data of the County. Each discretely presented component unit on the other hand, is reported in a separate column under component unit on the government-wide statements to emphasize that is legally separate from the primary government.

The County had no component units during the fiscal year ended December 31, 2018.

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 primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are the elimination of interfund services provided and used that would distort the direct costs and program revenues reported for the various functions concerned. *Governmental activities* are supported by taxes, intergovernmental revenues and other non-exchange transactions.

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 revenues include 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 restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, the proprietary fund, 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. Nonmajor funds include Special Revenue and Debt Service Funds. The combined amounts of these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. Detailed statements for nonmajor funds are presented within combining and individual fund statements and schedules.

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*, as are the proprietary fund financial statements. 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. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting their assets and liabilities.

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.

Taxes, grants, fines 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:

The **General Fund** is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Capital Projects Fund** is used to account for the resources used for the construction and acquisition of capital facilities by the County.

Additionally, the County reports the following fund types:

The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on general long-term debt associated with the acquisition and/or construction of facilities and equipment for the County.

The **Internal Service Fund**, commonly known as the Self-Insurance Fund, is used to account for insurance coverage and administrative services provided to other departments or agencies of the County. This fund is funded by quasi-external transfers from other funds and charges to employees for extended benefits at their option. Charges are determined on a cost-reimbursement basis.

Agency Funds are used to account for situations where the County's role is strictly custodial in nature. These funds are held for various reasons being legal, contractual, or operational. Example of this include times where the courts are required to hold funds in trust by the County, the tax office collects funds on behalf of local governments and the state, and the Sheriff collects funds on behalf of inmates. As a result, all assets reported in an Agency Fund are offset by a liability to the party or entity whose behalf the assets are held.

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, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's Internal Service Fund are charges to participants for services. Operating expenses for the Internal Service Fund include the cost of services and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash 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 bank certificates of deposits, obligations of the United States or its agencies, obligations of the State of Texas, obligations of other political subdivisions having at least an "A" credit rating, commercial paper, repurchase agreements and local government investment pools.

Investments for the County are reported at fair value, except for the position in investment pools. The County's investments in these pools are reported at the net asset value per share (which approximates fair value) even though they are calculated using the amortized cost method.

Time deposits of all funds are stated at cost, which approximates fair value.

All investment income is recognized as revenue in the appropriate fund's statement of activity and/or statement of revenues, expenditures and changes in fund balance.

For purposes of the statement of cash flows, proprietary fund types consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Receivables and Payables

Activities 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. Interfund activity reflected in "due to" or "due from" other funds is eliminated in the government-wide statements.

The Anderson County Tax Assessor/Collector collects property taxes for the County. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 31st of the following year. Property tax receivables are shown net of an allowance for uncollectible amounts.

Accounts receivables from other governments include amounts due from grantor agencies for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

Prepaid Items

Payments made to vendors for items or services for a future period beyond December 31, are recorded as prepaid items. The County uses the consumption method to account for prepaid items. This means that expenditures are recognized proportionately over the periods that services are provided. The fund balances in the affected funds have been classified as nonspendable for amounts equal to the prepayments since these amounts are not available for appropriation.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure (e.g. roads, bridges and similar items), are reported in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$1,000 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 (roads and bridges)	20-50

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

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 TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. 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.

Compensated Absences

County employees earn vacation in varying amounts and earn sick leave at the rate of one day per month. Employees do not earn vacation leave until the completion of one year of service for the County. Employees earn vacation based on the following table:

<u>Years of Employment</u>	<u>Vacation Days</u>
1-2 years	80 hours per year
3-9 years	96 hours per year
10-19 years	120 hours per year
20+ years	160 hours per year

Vacation leave may not be accrued in excess of the maximum amount of 200 hours. Also, in accordance with the Fair Labor Standards Act as it applies to local governments, non-exempt County employees are granted compensatory time for hours worked beyond their regular working hours. Vacation and compensatory time is paid upon termination of employment. Accrued sick time is not paid out per the policy of the Commissioners Court.

The County has recognized a liability for accumulated vacation leave where the employees' rights to receive benefits are attributable to services already rendered, and it is probable that the County will compensate the employees through either paid time off or cash payments at termination.

All vacation pay and compensatory time is accrued when incurred in the government-wide financial statements. A liability for these payments is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Outflows/Inflows of Resources

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

- *Deferred losses on debt refundings in the government-wide Statement of Net Position* – A deferred loss on a bond refunding results when the reacquisition price of the refunded debt exceeds the carrying value. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- *Difference in projected and actual earnings on pension assets* – This difference is deferred and amortized over a closed five year period.
- *Difference in expected and actual pension experience* – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- *Pension contributions after the measurement date* – These contributions are deferred and recognized in the following fiscal year.

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, therefore, 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.
- Property taxes collected before the period for which they were levied.

In addition, the County has deferred inflows of resources which are required to be reported on the Statements of Net Position under the full accrual basis of accounting. Deferred inflows of resources reported in the Statements of Net Position are as follows:

- *Differences between expected and actual economic experience for the County's pension* – This difference is deferred and recognized over the estimated average remaining lives of all members
- *Changes of economic and demographic actuarial assumptions or of other inputs included in determining the pension liability* – These effects on the total pension 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 plan (active employees and inactive employees).

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 intent is determined by the Commissioners Court or County Auditor.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance 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.

The County will strive to maintain a minimum unassigned fund balance in its General Fund ranging from 18 to 25% of the subsequent year's budgeted expenditures and outgoing

transfers. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts.

If it is determined that the County is below this minimum established fund balance level, the governing body will be informed of this condition and take necessary budgetary steps to bring fund balance level into compliance with this policy through budgetary actions.

Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. 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.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

New Accounting Principles

Significant new accounting standards not yet implemented by the County include the following:

GASB Statement No. 83, "*Certain Asset Retirement Obligations*" is effective for reporting periods beginning after June 15, 2018. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

GASB Statement No. 84, "*Fiduciary Activities*" is effective for reporting periods beginning after December 15, 2018. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

GASB Statement No. 87, "*Leases*", is effective for reporting periods beginning after December 15, 2019. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

Prior Year Adjustment

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" which became effective for fiscal year 2018. This statement establishes accounting and financial reporting requirements for state and local government employers that provide their employees with postemployment benefits other than pensions. The implementation of Statement No. 75 resulted in a restatement of the beginning OPEB liability for fiscal year 2018 and a prior period adjustment of \$3,577,879.

2. DETAILED NOTES ON ALL FUNDS

Cash and Investments

As of December 31, 2018, the County had the following investment:

<u>Investment Type</u>	<u>Net Asset Value</u>	<u>Weighted Average Maturity (Days)</u>
TexPool	\$ <u>12,121,874</u>	36

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

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. As of December 31, 2018, the carrying value of the County's deposit balance was collateralized with securities held by the pledging financial institution or 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. TexPool was rated AAAM by Standard & Poor's Investors Service.

Property Taxes and Other Receivables

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Property taxes are levied by October 1 of the year in which assessed, or as soon thereafter as practicable. Taxes are due and payable, without penalty and interest, from October 1 of the year in which levied on or before January 31 of the following year. Taxes become delinquent February 1 of each year and are subject to simple interest and penalties.

The County's taxes on real property represent a lien against such property until paid. The County may foreclose on real property upon which it has a lien for unpaid taxes. The exception is homestead property belonging to persons 65 years of age or older who file for deferral or abatement. Delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title of the property.

Property taxes are collected for the General, Capital Projects, Debt Service, and Farm to Market and Lateral Road funds. This distribution is based on the tax rate established for each fund by order of the Commissioners Court for the tax year for which collections are made.

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</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:				
Property taxes	\$ 9,750,563	\$ 5,700	\$ 1,744,570	\$ 11,500,833
Other taxes	470,453	-	-	470,453
Court fines and fees	6,605,362	-	-	6,605,362
Accounts	13,185	-	-	13,185
Gross Receivables	<u>16,839,563</u>	<u>5,700</u>	<u>1,744,570</u>	<u>18,589,833</u>
Less: Allowance for uncollectible	<u>(6,121,924)</u>	<u>(285)</u>	<u>(87,228)</u>	<u>(6,209,437)</u>
Net total receivables	<u><u>\$ 10,717,639</u></u>	<u><u>\$ 5,415</u></u>	<u><u>\$ 1,657,342</u></u>	<u><u>\$ 12,380,396</u></u>

Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,810,032	\$ 175,000	\$ -	\$ 1,985,032
Construction in progress	390,147	-	(390,147)	-
Total capital assets, not being depreciated	<u>2,200,179</u>	<u>175,000</u>	<u>(390,147)</u>	<u>1,985,032</u>
Capital assets, being depreciated:				
Roads and bridges	57,588,824	5,365,129	(33,160)	62,920,793
Buildings and improvements	24,668,556	668,593	-	25,337,149
Machinery and equipment	12,226,430	2,408,615	(1,025,214)	13,609,832
Total capital assets being depreciated	<u>94,483,810</u>	<u>8,442,337</u>	<u>(1,058,374)</u>	<u>101,867,774</u>
Less accumulated depreciation:				
Road and bridges	41,858,198	1,262,323	(33,160)	43,087,361
Buildings and improvements	8,821,846	617,993	-	9,439,839
Machinery and equipment	9,918,076	1,265,495	(1,305,746)	9,877,825
Total accumulated depreciation	<u>60,598,120</u>	<u>3,145,811</u>	<u>(1,338,906)</u>	<u>62,405,025</u>
Total capital assets, being depreciated, net	<u>33,885,690</u>	<u>5,296,526</u>	<u>280,532</u>	<u>39,462,748</u>
Governmental activities capital assets, net	<u>\$ 36,085,869</u>	<u>\$ 5,471,526</u>	<u>\$ (109,615)</u>	<u>\$ 41,447,781</u>

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

Governmental activities:	
General Government	\$ 727,988
Judicial	26,355
Public safety	380,752
Social services	4,249
Roads and bridges	<u>2,006,467</u>
Total depreciation expense - governmental activities	<u>\$ 3,145,811</u>

Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2018, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Proprietary	\$ 419,112
General	Nonmajor Governmental	31,090
Capital Projects	General	151,901
Capital Projects	Nonmajor Governmental	202,843
Nonmajor Governmental	Proprietary	11
Nonmajor Governmental	General	<u>5,013</u>
Total due to/from other funds		<u>\$ 809,970</u>

All balances of due to/due from resulted from short-term loans that are to be reimbursed within the next year.

Interfund Transfers:	Transfers out:			Total
	General Fund	Capital Projects	Other Governmental Funds	
Transfers in:				
Other Governmental	\$ 291,017	\$ 3,228	\$ 183	\$ 294,428
Total transfers out	<u>\$ 291,017</u>	<u>\$ 3,228</u>	<u>\$ 183</u>	<u>\$ 294,428</u>

During the year, transfers were used to move General Fund resources to provide annual subsidies to the Farm to Market and Lateral Road Fund, Grant Fund, Juvenile Probation Fund, Court Technology and Security Fund and District Attorney Fund.

Long-term Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities or equipment.

On July 15, 2012, the County issued \$8,660,000 of general obligation refunding bonds to provide resources to purchase U. S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$5,390,000 for the General Obligation Bonds, Series 2005 and \$2,735,000 for the Certificates of Obligation, Series 2003. As of December 31, 2018, the refunded debt has been paid and the County has no defeased debt outstanding.

In February 2017, the County issued \$6,450,000 of unlimited tax road bonds with an interest rate of 4%. These bonds were issued for the construction, maintenance, and operation of roads and turnpikes and professional services. Principal payments begin February 15, 2024 and are payable in annual installments of \$350,000 to \$590,000 through February 15, 2037.

In June 2018, the County issued \$6,635,000 of unlimited tax road bonds with an interest rate of 4%. These bonds were also issued for the construction, maintenance, and operation of roads and turnpikes and professional services. Principal payments begin February 15, 2024 and are payable in annual installments of \$330,000 to \$575,000 through February 15, 2038.

General obligation bonds are direct obligations and pledge the full faith and credit of the County.

	Interest Rates	Amount
\$8,660,000 General Obligation Refunding Bonds, Series 2012	2.0%-2.5%	\$ 5,095,000
\$6,450,000 Unlimited Tax Road Bonds, Series 2017	4%	6,450,000
\$6,635,000 Unlimited Tax Road Bonds, Series 2018	4%	6,635,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 970,000	\$ 665,960
2020	995,000	606,500
2021	1,020,000	586,350
2022	1,040,000	563,150
2023	1,070,000	536,775
2024-2028	3,685,000	2,259,900
2029-2033	4,510,000	1,442,800
2034-2038	<u>4,890,000</u>	<u>457,400</u>
Total	<u>\$ 18,180,000</u>	<u>\$ 7,118,835</u>

Annual debt service requirements to maturity for **Notes Payable** are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ <u>33,455</u>	\$ <u>363</u>
Total	<u>\$ 33,455</u>	<u>\$ 363</u>

Annual debt service requirements to maturity for **Capital Leases** are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ <u>1,555,829</u>	<u>22,101</u>
Total	<u>\$ 1,555,829</u>	<u>\$ 22,101</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities					
Bonds payable:					
General obligation bonds	\$ 12,495,000	\$ 6,635,000	\$ 950,000	\$ 18,180,000	\$ 970,000
Premium on bonds	822,966	516,016	79,305	1,259,678	-
Notes payable	77,061	-	43,606	33,455	33,455
Capital leases	-	2,969,119	1,413,290	1,555,829	1,555,829
Net OPEB obligation	4,409,534	303,698	344,980	4,368,252	-
Net pension liability	5,569,136	4,959,519	7,807,100	2,721,555	-
Claims payable	150,859	-	150,859	-	-
Compensated absences	208,594	229,984	182,820	255,758	63,939
Governmental activity					
Long-term liabilities	<u>\$ 23,733,150</u>	<u>\$ 15,613,336</u>	<u>\$ 10,971,960</u>	<u>\$ 28,374,527</u>	<u>\$ 2,623,223</u>

The compensated absences, net pension liability, and OPEB liabilities attributable to the governmental activities are primarily liquidated by the General Fund.

Risk Management

The County is a member of the Texas Association of Counties Risk Pool (“Pool”). The Pool was created for the purpose of providing coverage against risks which are inherent in operating a political subdivision. The County pays annual premiums to the Pool for unemployment and workers’ compensation coverage. The County’s agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide coverage through commercial reinsurance contracts. The Pool agrees to handle all unemployment and workers’ compensation claims and provide any defense as is necessary. The Pool makes available to the County loss control services to assist the County in following a plan of loss control that may result in reduced losses. The County agrees that it will cooperate in instituting any and all reasonable loss control recommendations made by the Pool. The County also carries commercial insurance on all other risks of loss, including liability, property, and accident insurance.

The County has experienced no significant reductions in coverage through the Pool over the past year. There have been no insurance settlements exceeding Pool and commercial coverage for any of the past three years.

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.

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

Benefits Provided. TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms 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	178
Inactive employees entitled to but not yet receiving benefits	375
Active employees	261
	<hr/>
	814
	<hr/> <hr/>

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 participate 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 11.98% and 12.51% in calendar years 2017 and 2018, respectively. The County's contributions to TCDRS for the year ended December 31, 2018, were \$1,199,985, 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

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 female, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale for 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, 2013 through December 31, 2016, 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 application of the investment return assumption was changed for

purposes of determining plan liabilities in the 2017 actuarial valuation. All plan liabilities are now valued using an 8% discount rate. Previously, some liabilities were valued using a 7% discount rate and others were valued using a 9% discount rate.

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 10 year time horizon. The valuation assumption for long-term expected return is reassessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2016. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation⁽¹⁾	Geometric Real Rate of Return⁽²⁾
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	11.00%	4.55%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregates 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 ⁽⁴⁾	2.00%	6.30%
Reit Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnership (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (FRI.) Fund of Funds Composite Index	18.00%	4.10%

⁽¹⁾ Target asset allocation adopted at the April 2018 TCDRS Board meeting.

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

⁽³⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

⁽⁵⁾ 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)
Balance at 12/31/2016	\$ 42,256,284	\$ 36,687,147	\$ 5,569,136
Changes for the year:			
Service cost	1,279,271	-	1,279,271
Interest on total pension liability ⁽¹⁾	3,430,132	-	3,430,132
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(621,108)	-	(621,108)
Effect of assumptions changes or inputs	213,633	-	213,633
Refund of contributions	(210,754)	(210,754)	-
Benefit payments	(2,212,926)	(2,212,926)	-
Administrative expenses	-	(27,541)	27,541
Member contributions	-	678,738	(678,738)
Net investment income	-	5,345,647	(5,345,647)
Employer contributions	-	1,161,607	(1,161,607)
Other ⁽³⁾	-	(8,941)	8,941
Balance at 12/31/17	\$ 44,134,532	\$ 41,412,977	\$ 2,721,555

⁽¹⁾ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ 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:

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	\$ 49,416,746	\$ 44,134,532	\$ 39,668,468
Fiduciary net position	41,412,977	41,412,977	41,412,977
Net pension liability / (asset)	\$ 8,003,769	\$ 2,721,555	\$ (1,744,509)

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 at www.tcdrs.org.

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

For the year ended December 31, 2018, the County recognized pension expense of \$1,019,610.

At December 31, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 419,638
Changes in actuarial assumptions	142,422	-
Net difference between projected and actual investment earnings	-	666,220
Contributions made subsequent to the measurement date	<u>1,161,607</u>	<u>-</u>
Total	<u>\$ 1,304,029</u>	<u>\$ 1,085,858</u>

\$1,161,607 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 December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended December 31,	
2019	\$ (54,163)
2020	(431,533)
2021	(479,720)
2022	-

Postemployment Benefits Other than Pension Benefits (OPEB)

1. Plan Description

The County's OPEB provides health benefits to eligible retired employees of the County and is a single employer plan administered by the County. Separately issued financial statements are not available for the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. Anderson County Commissioners Court has the authority to establish and amend the benefits of the plan.

2. Plan Participants

Members are eligible for retirement with TCDRS at age 60 with 8 years of service, or at any age with 20 years of service, or when age plus years of service equals 75.

3. Health Care Benefits Eligibility Conditions

Health insurance benefits are provided to eligible retirees of the County in accordance with policies and procedures approved by Commissioners Court. All employees who were hired prior to January 1, 2012, will have the option of retaining the County's group health insurance coverage upon their retirement. If they are vested and eligible for retirement with the Texas County and District Retirement System ("TCDRS") at the time they leave employment, they will be required to make the same employee contribution as is required of active employees with similar dependent elections. Employees who are vested in TCDRS and who are hired subsequent to January 1, 2012, will have the option of retaining the County's group health insurance coverage upon their retirement, provided that the retired employee pays 100% of the required monthly premium for their coverage elections.

All group insurance will cease when retired employees reach age 65, provided however, that if the retired employee's spouse has not reached the age of 65 and/or the retired employee's children have not reached the age of 26, the spouse and/or children will be eligible for group health coverage until they reach the age of 65 and 26 respectively. The County, annually, will stipulate the required contribution from the retired employee needed to extend the coverage of their eligible dependents after the retired employee has reached age 65.

4. Employees Covered by Benefits Terms

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently	28
Receiving Benefits Active Plan Members	<u>191</u>
Total Plan Members	219

5. Total OPEB Liability

The County's total OPEB liability of \$4,368,252 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumption and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary Increases	3.5%
Discount Rate	4.10% as of December 31, 2018 The discount rate changed from 4.5% as of December 31, 2017 to 4.10% as of December 31, 2018
Healthcare Cost Trend Rates	Level 5.00%
Mortality	RPH-2014 Total Table with Projection MP-2018
Demographic Assumptions	The retirement rates were developed from the assumption used in the 2017 actuarial report for the TCDRS retirement plans.
Participation Rates	90% of future retirees who are eligible for a County subsidy were assumed to receive retiree health care benefits through the County. Alternatively, only 10% of retirees who are not eligible for benefits were assumed to elect coverage.

Changes in the Total OPEB Liability

	Total OPEB
Balance as of 01/01/2018	\$ 4,409,534
Service Cost	124,860
Interest on total OPEB Liability	178,838
Benefit payments	<u>(344,980)</u>
Net change in total OPEB Liability	(41,282)
Balance as of 12/31/2018	<u>\$ 4,368,252</u>

Funded Status and Funding Progress

The funding status of the post-employment benefit plan as of the most recent actuarial valuation date is as follows

Measurement Date	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Funded Ratio	Covered Payroll	Net OPEB Liability as a % Of Covered Payroll
	(a)	(b)	(b) – (a)	(a) / (b)	(c)	[(b) – (a)] / (c)
12/31/2018	-	4,368,252	4,368,252	0.00%	7,119,201	61.36%

Sensitivity of Total OPEB Liability to the Discount Rate Assumption

Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan's total OPEB liability, calculated using a discount rate of 4.10%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher.

1% Decrease 3.10%	Current Discount Rate Assumption	1% Increase 5.10%
\$4,727,294	\$4,368,252	\$4,042,529

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

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

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
\$3,964,242	\$4,368,252	\$4,840,148

6. Deferred Outflows Related to OPEB

	Deferred Outflow of Resources
Changes in assumptions	\$ -
Contributions subsequent to the measurement date	-
Total	<u>\$ -</u>

Deferred Outflows to be Recognized in Future OPEB Expense

Year Ended December 31,	Deferred Outflows
2019	\$ -
2020	-
2021	-
2022	-
2023	-
Thereafter	-
Total	<u>\$ -</u>

Commitments and Contingencies

- a. Grants – The County has received Federal and State financial assistance in the form of grants that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agencies for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of County management, such disallowances, if any, will not be significant to the County’s financial position.
- b. Litigation – The evaluation of County management is that any liability to the County relating to lawsuits will not have a material impact on the County’s financial position. Historically, the County has not incurred significant losses from claims or lawsuits which arise during the ordinary course of business.

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**REQUIRED
SUPPLEMENTARY INFORMATION**

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ANDERSON COUNTY, TEXAS

Required Supplementary Information

Schedule of Changes in Total OPEB Liability and Related Ratios

For the Year Ended December 31, 2018

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 124,860
Interest on the total OPEB liability	178,838
Benefit payments	<u>(344,980)</u>
Net change in total OPEB liability	(41,282)
Total OPEB liability - beginning	<u>4,409,534</u>
Total OPEB liability - ending	<u><u>\$ 4,368,252</u></u>
Covered Employee Payroll	\$ 7,119,201
Total OPEB liability as a percentage of covered-employee payroll	61.36%

This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

ANDERSON COUNTY, TEXAS

Required Supplementary Information

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (GAAP Basis) and Actual

General Fund

For the Year Ended December 31, 2018

	Budget		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 13,007,250	\$ 13,007,250	\$ 12,868,510	\$ (138,740)
Sales	2,570,000	2,570,000	2,810,709	240,709
Mixed Beverage	34,000	34,000	41,381	7,381
Intergovernmental	493,805	493,805	634,561	140,756
Fees of Office	2,293,375	2,293,375	2,323,695	30,320
Fines and Forfeitures	512,000	512,000	492,129	(19,871)
Investment Earnings	42,000	42,000	244,449	202,449
Miscellaneous	26,000	26,000	201,109	175,109
Total Revenues	18,978,430	18,978,430	19,616,543	638,113
Expenditures:				
Current:				
General Government	5,135,392	4,739,243	4,485,747	253,496
Judicial	2,977,536	3,148,785	2,977,677	171,108
Public Safety	5,880,052	5,827,088	5,261,608	565,480
Social Services	814,154	811,414	683,703	127,711
Road & Bridge	3,552,097	3,913,093	3,744,060	169,033
Debt Service:				
Principal	-	-	43,606	(43,606)
Interest and other charges	-	-	1,487	(1,487)
Capital Outlay	370,199	700,704	658,642	42,062
Total Expenditures	18,729,429	19,140,327	17,856,530	1,283,797
Excess (Deficiency) of Revenue over Expenditures	249,001	(161,897)	1,760,013	1,921,910
Other Financing Sources (Uses):				
Sale of capital assets	-	-	149,680	149,680
Insurance recoveries	-	-	23,218	23,218
Transfers Out	(250,000)	(276,814)	(291,201)	(14,387)
Total Other Financing Sources (Uses)	(250,000)	(276,814)	(118,303)	158,511
Net Change in Fund Balance	(999)	(438,711)	1,641,710	2,080,421
Fund Balance at Beginning of Year	6,929,757	6,929,757	6,929,757	-
Fund Balance at End of Year	\$ 6,928,758	\$ 6,491,046	\$ 8,571,467	\$ 2,080,421

ANDERSON COUNTY, TEXAS

Notes to the Required Supplementary Information

December 31, 2018

Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds except the following Special Revenue Funds: District Attorney Hot Checks, Homeland Security Grant, Law Enforcement Grant, Juvenile Probation State Grants, Law Enforcement Officers Standards and Education, Texas VINE Grant, and Child Welfare Board. In some instances, the Special Revenue Funds listed in the previous sentence may have budgets required by the grantor agency. Since Commissioners Court is not required to adopt a budget for these funds, there are no budgetary comparison schedules presented. All annual appropriations laps at fiscal year-end.

Annually all departments of the County submit requests for appropriations to the County Judge, who serves as the Budget Officer. The County Judge reviews the requests, prepares the revenue estimates, and makes his recommendations to the Commissioners Court. Through budget workshops a proposed budget is created, which must be voted on by Commissioners Court and filed with the County Clerk. Within ten calendar days after the preliminary budget is filed, the Commissioners Court holds public hearings and publishes notices based on the timetable required by the state statute. Before September 30, the budget and tax rate are adopted with tax notices mailed on or after October 1.

The appropriated budget is adopted annually by fund, activity, department, and account line item. For management purposes the elected official or department head may request approval from Commissioners Court to move appropriations between category line items.

The County uses two levels to manage capital expenditures. As a rule, all assets under \$1,000 are recorded as expenditures in the supplies line item. Some of the assets are brought over to the capital asset system for tracking insurance purposes, but are not depreciated. All capital purchases over \$1,000 are individually identified and brought over to the capital asset system for depreciation and inclusion in capital assets under GASB 34 and their expenditure is charged to the 'capital outlay' line items within the budget.

Encumbrance accounting is utilized by governmental entities. Encumbrances do not constitute expenditures or liabilities because the commitments will be re-appropriated and purchase orders during the subsequent year. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated and become part of the subsequent year's budget.

ANDERSON COUNTY, TEXAS

Required Supplementary Information

Schedule of Changes in Net Pension Liability
and Related Ratios

Plan Year Ended December 31	<u>2017</u>	<u>2016</u>
Total Pension Liability		
Service Cost	\$ 1,279,271	\$ 1,268,507
Interest total pension liability	3,430,132	3,197,116
Effect of plan changes	-	-
Effect of assumption changes or inputs	213,633	-
Effect of economic/demographic (gains) or losses	(621,108)	(16,699)
Benefit payments/refunds of contributions	<u>(2,423,680)</u>	<u>(2,042,830)</u>
Net change in total pension liability	1,878,248	2,406,094
Total pension liability - beginning	42,256,284	39,850,190
Total pension liability - ending (a)	<u><u>\$ 44,134,532</u></u>	<u><u>\$ 42,256,284</u></u>
Plan Fiduciary Net Position		
Employer contributions	\$ 1,161,607	\$ 1,217,964
Member contributions	678,738	694,655
Investment income net of investment expenses	5,345,647	2,536,507
Benefit payments/refunds of contributions	(2,423,680)	(2,042,830)
Administrative expenses	(27,541)	(27,691)
Other	<u>(8,941)</u>	<u>(114,307)</u>
Net change in plan fiduciary net position	4,725,830	2,264,297
Plan fiduciary net position - beginning	36,687,147	34,422,851
Plan fiduciary net position - ending (b)	<u><u>41,412,977</u></u>	<u><u>\$ 36,687,148</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 2,721,555</u></u>	<u><u>\$ 5,569,136</u></u>
Fiduciary net position as a percentage of total pension liability	94%	87%
Pensionable covered payroll	\$ 9,696,253	\$ 9,806,496
Net position liability as a percentage of covered payroll	28%	57%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of December 31, 2018, only 4 years are included and additional years will be added in the future as the information becomes available.

ANDERSON COUNTY, TEXAS

Required Supplementary Information

Schedule of Changes in Net Pension Liability
and Related Ratios

<u>2015</u>	<u>2014</u>
\$ 1,179,479	\$ 1,175,228
3,067,562	2,871,273
(180,193)	191,642
430,658	-
(798,076)	65,223
(1,999,706)	(1,825,627)
<u>1,699,724</u>	<u>2,477,739</u>
<u>38,150,466</u>	<u>35,672,727</u>
<u>\$ 39,850,190</u>	<u>\$ 38,150,466</u>
\$ 1,166,363	\$ 1,066,489
671,196	661,243
240,531	2,237,562
(1,999,706)	(1,825,626)
(24,797)	(25,774)
(126,494)	(56,196)
<u>(72,907)</u>	<u>2,057,698</u>
<u>34,495,758</u>	<u>32,438,060</u>
<u>\$ 34,422,851</u>	<u>\$ 34,495,758</u>
<u>\$ 5,427,339</u>	<u>\$ 3,654,708</u>
86%	90%
\$ 9,467,857	\$ 9,446,330
57%	39%

ANDERSON COUNTY, TEXAS

Required Supplementary Information

Schedule of Employer Contributions - TCDRS

Last Ten Fiscal Years

Fiscal Year Ended December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2009	\$ 744,229	\$ 744,229	\$ -	\$ 8,534,732	8.7%
2010	783,192	783,192	-	8,849,624	8.8%
2011	774,068	774,068	-	8,826,371	8.8%
2012	832,819	832,819	-	9,003,493	9.2%
2013	1,006,591	1,006,591	-	9,277,362	10.8%
2014	1,066,489	1,066,489	-	9,446,330	11.3%
2015	1,166,363	1,166,363	-	9,467,857	12.3%
2016	1,217,964	1,217,964	-	9,806,496	12.4%
2017	1,161,607	1,161,607	-	9,696,253	12.0%
2018	1,199,985	1,199,985	-	9,592,286	12.5%

ANDERSON COUNTY, TEXAS

Required Supplementary Information

Notes to Schedule of Employer Contributions

For the Year Ended December 31, 2018

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

Methods and assumptions used to determine contributions rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	11.3 years (based on contribution rate calculated in 12/31/17 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: Employer contributions reflect that the current service matching rate was increased to 200% for future benefits. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

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

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COMBINING FUND STATEMENTS

Nonmajor Governmental Funds

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

Farm-to-Market and Lateral Road Fund – The Farm- to-Market and Lateral Road Fund accounts for all property taxes collected pursuant to Transportation Code 256.054 for construction and maintenance of farm-to-market and lateral roads, for flood control purposes, or for both, as determined by Commissioners Court.

Law Enforcement Grant Fund – The Law Enforcement Grant Fund is used to account for the receipt and expenditure of grant funds awarded to the County by the Criminal Justice Division to support law enforcement.

Law Library Fund – The Law Library Fund was created pursuant to Article 1702h, Revised Texas Civil Statutes, for the establishment and maintenance of the County Law Library. Revenues are derived from the law library fees assessed against each civil case filed in the County Court-at-Law and in the Districts Courts, excluding tax suits.

JCT Fee Fund – The JCT Fee Fund is used to account for the court cost know as the “justice court technology fee” which is required of defendants convicted of a misdemeanor offense in a justice court. The fund is used only to finance the purchase and maintenance of technological enhancements for the justice court and the cost of continuing education and training for justice court judges and clerks in regards to those enhancements. This fund is administered by the Commissioners Court of the County.

Child Welfare Board Fund – The Child Welfare Board Fund is used to account for the receipt and expenditure of grant funds awarded to the County by the Texas Department of Family and Protective Services.

District Attorney Hot Check Fund – The District Attorney Hot Check Fund was established to account for fees collected by the district attorney for collecting and processing of hot checks. Expenditures from this fund shall be at the sole discretion of the attorney and may be used only to defray the salaries and expenses of the prosecutor’s office, excluding the district attorney’s own salary.

District Attorney Apportionment Fund – The District Attorney Apportionment Fund was established to account for funds received from the state to be used by the district attorney to help defray the salaries and expenses of the office as defined in the General Appropriations Act.

County Clerk Records Archive Fund –The County Clerk Records Archive Fund was established to account for the revenues received for the preservation and restoration services performed by the county clerk in connection with maintaining a county clerk’s records archive on public documents designated by the county clerk as part of the records archive.

District Clerk Records Management & Preservation Fund – The District Clerk Records Management & Preservation Fund was established to account for the revenues received for records

management and preservation services performed by the district clerk when a case or document is filed in the records office of the district clerk. The funds may only be used for specific records management and preservation, including automation purposed, and are subject to approval by Commissioners Court of the County.

County Clerk Records Management & Preservation Fund - The County Clerk Records Management & Preservation Fund was established to account for the revenues received for records management and preservation services performed by the county clerk after the filing and recording of a document in the records of the office of the clerk. The funds may only be used for specific records management and preservation, including automation purposes, and are subject to approval by Commissioners Court of the County.

Court Reporter Services Fund – The Court Reporter Services Fund was established to account for “court reporter service” fees collected by court clerks for courts that have an official court reporter. The fund is used to maintain the court reporter that is available for assignment in the court.

County Records Management & Preservation Fund – The County Records Management & Preservation Fund was established to account for “court record management & preservation” fees that are collected on all civil cases in a county court, statutory county court, or district court. The funds may only be used to digitize court records and preserve the records from natural disasters. This fund is administered by the Commissioners Court of the County.

Security Service Fee Fund – The Security Service Fee Fund was established to account for “security fees”, which are cost of the court, collected on misdemeanor offenses in a county court, county court-at-law, district court, or justice court. Money deposited into this fund may be used only for security personnel, services, and items related to buildings that house the operations of district, county, or justice courts. This fund is administered by the Commissioners Court of the County.

Justice Court Building Security Fund – The Justice Court Building Security Fund is used to account for a portion of “security fees”, which are costs of the court, collected on misdemeanor offenses in a justice court. This fund may only be used for purposes of providing security personnel, services, and items for a justice court located in a building that is not the county courthouse. This fund is administered under the direction of the Commissioners County of the County.

Historical Commission Fund – The Historical Commission Fund accounts for funding necessary to conduct the operations of the Anderson County Historical Commission.

Pretrial Diversion Fund – The Pretrial Diversion Fund is used to account for fees collected from defendants who participate in a pretrial intervention program administered by the District Attorney. Funds collected are to be used solely to administer the pretrial intervention program and any expenditure may only be made in accordance with a budget approved by the Commissioners Court of the County.

County & District Court Technology Fund – The County & District Court Technology Fund is used to account for the court cost known as the “county and district court technology fee” which is required of defendants convicted of a criminal offense in a county court, statutory county court, or district court. The fund is used only to finance the purchase and maintenance of technological

enhancements for a county court, statutory court, or district court and the cost of continuing education and training in regards to those enhancements. This fund is administered by the Commissioners Court of the County.

Court Records Preservation Fund – The Court Records Preservation Fund was established to account for “court record preservation” fees that are collected on all civil cases filed in a county court, statutory court, or district court. The funds may only be used to digitize court records and preserve the records from natural disasters.

District Clerk Technology Fund –The District Clerk Technology Fund was established to account for optional district court records archive fee for filing of a suit, including appeal from inferior court, or cross-action, counterclaim, intervention, contempt action, motion for new trail, or third party petition in any court in the county for which the district court accepts filings.

Veterans Assistance Grant Fund – The Veterans Assistance Grant Fund is used to account for the receipt and expenditure of grant funds awarded to the County by the Texas Veterans Commission.

HAVA Grant Fund – The HAVA Grant Fund is used to account for the receipt and expenditure of grant funds awarded to the County by the Secretary of the State in accordance with the Help America Vote Act.

VAWA/VOCA Grant Fund – The VAWA/VOCA Grand Fund is used to account for the receipt and expenditure of grant funds awarded to the County by the Criminal Justice Division in accordance with the Violence Against Women Act and the Victim of Crime Act. The funds are used to provide funding for Case Manager positions and Victims Assistance Coordinator positions in the prosecutor’s office and Crime Victim Liaisons in law enforcement agencies.

Texas VINE Grant Fund – The Texas VINE Grant Fund is used to account for the receipt and expenditure of grant funds awarded to the County by the Criminal Justice Department. The funds are used to implement an automated method of providing victims with the access to information and notification about changes in offender status and court events.

Indigent Defense Grant Fund – The Indigent Defense Grant Fund is used to account for the receipt and expenditure of grant funds awarded to the county by the Texas Indigent Defense Commission.

Homeland Security Grant – The Homeland Security Grant Fund is used to account for the receipt and expenditure of grant funds awarded to the county by the US Department of Homeland Security. These funds are to be used to prevent, protect, against, respond to, and recover from acts of terrorism and other catastrophic events.

NACCHO Grant Fund – The NACCHO Grant Fund is used to account for the “National Association of County and City Health Officials” to provide public health emergency health preparedness.

Guardianship Fund – The Guardianship Fund accounts for the fees collected pursuant to the Local Government Code 118.067 whereby the clerk of the court collects a fee on certain probate court actions involving guardianships and is to provide supplemental funding for court appointed guardians

ad litem and court appointed attorneys as litem and to fund guardianship programs for indigent incapacitated individuals.

FEMA Grant Fund – The FEMA Grant Fund is used to account for the receipt and expenditure of federal emergency grant funds awarded to the county.

Emergency Communication Fund – The Emergency Communication Fund is used to account for the funds received by the state to establish and operate a public safety answering point for emergency communications.

Water Supply Grant Fund – The Water Supply Grant Fund is used to account for the receipt and expenditure of grant funds awarded to the County by the Texas Department of Agriculture.

Juvenile Probation Fund – The Juvenile Probation Fund consists of State Grant Funds and Local Funds. The Juvenile Probation State Grants Fund was established in compliance with the Human Resources Code Section 75.067. Juvenile Probation assistance is provided by the State and administered by the Juvenile Board having the jurisdiction in the County. The Juvenile Board consists of the District Judges, the County Judge, and the County Court-at-Law Judge. Revenues of the Juvenile Probation Fund are derived primarily from funds supplied by the State. Expenditures are for salaries of probation officers and clerical staff, supplies, communications, travel and transportation expenses, and certain other operations items required for supervision of probationers. The Juvenile Probation Local Fund is used to account for juvenile detention and juvenile probation expenditures that are not funded through grants. The budget for the fund is adopted by the Juvenile Board. The primary financing source for this fund is a transfer from the General Fund.

LEOSE Fund – The LEOSE Fund is used to account for a fee known as “law enforcement officer standards and education fund” collected on criminal cases. The expenditures from this fund are to be used only for education and training of the County’s law enforcement personnel.

DA Drug Forfeiture Fund – The District Attorney Forfeiture Fund is used to account for resources to the County pursuant to Chapter 59 of the Code of Criminal Procedures and for the expenditures of such funds for the authorized purposes.

Sheriff Forfeiture (Local) Fund – The Sheriff Forfeiture Fund is used to account for resources to the County pursuant to Chapter 59 of the Code of Criminal Procedures and for the expenditures of such funds for the authorized purposes.

DA Forfeiture (Federal) Fund – The District Attorney Forfeiture Fund is used to account for resources to the County and for the expenditures of such funds for the authorized purposes.

Interest & Sinking Fund – The Interest and Sinking fund is used to account for the accumulation of resources and the subsequent disbursement of such resources to pay principal, interest and related costs on general long-term debt

ANDERSON COUNTY, TEXAS

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2018

	Special Revenue				
	Farm to Market and Lateral Road Fund	Law Enforcement Grant Fund	Law Library Fund	JCT Fee Fund	Child Welfare Board Fund
Assets:					
Cash and Investments	\$ 522,384	\$ -	\$ 44,225	\$ 47,281	\$ 19,772
Receivables (net of allowances for estimated uncollectibles):					
Property Taxes	451,239	-	-	-	-
Due from Other Governments	-	-	-	-	673
Due from Other Funds	-	-	-	-	64
Total Assets	<u>\$ 973,623</u>	<u>\$ -</u>	<u>\$ 44,225</u>	<u>\$ 47,281</u>	<u>\$ 20,509</u>
Liabilities:					
Accounts Payable	\$ 5,972	\$ -	\$ 1,694	\$ 226	\$ -
Accrued Liabilities	-	-	-	-	-
Due to Other Funds	186,709	-	-	-	-
Other Payables	-	-	-	-	-
Total Liabilities	<u>192,681</u>	<u>-</u>	<u>1,694</u>	<u>226</u>	<u>-</u>
Deferred Inflows of Resources:					
Advanced property tax collections	221,361	-	-	-	-
Unavailable Revenue - property taxes	449,994	-	-	-	-
Unavailable Revenue - grants	-	-	-	-	-
Total Deferred Inflows of Resources	<u>671,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted for:					
General Government	-	-	-	-	-
Judicial	-	-	42,531	47,055	-
Public Safety	-	-	-	-	-
Social Services	-	-	-	-	20,509
Road & Bridge	109,587	-	-	-	-
Debt Service	-	-	-	-	-
Total Fund Balances	<u>109,587</u>	<u>-</u>	<u>42,531</u>	<u>47,055</u>	<u>20,509</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 973,623</u>	<u>\$ -</u>	<u>\$ 44,225</u>	<u>\$ 47,281</u>	<u>\$ 20,509</u>

ANDERSON COUNTY, TEXAS

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2018

Special Revenue							
District Attorney Hot Check Fund	District Attorney Apportionment Fund	County Clerk Records Archive Fund	District Clerk Records Management & Preservation Fund	County Clerk Records Management & Preservation Fund	Court Reporter Services Fund	County Records Management & Preservation Fund	
\$ 1,887	\$ 2,083	\$ 132,078	\$ 14,458	\$ 160,187	\$ 1,068	\$ 26,705	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
\$ 1,887	\$ 2,083	\$ 132,078	\$ 14,458	\$ 160,187	\$ 1,068	\$ 26,705	
\$ -	\$ 472	\$ 12,196	\$ -	\$ -	\$ 1,808	\$ 308	
-	702	1,430	-	557	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	1,174	13,626	-	557	1,808	308	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	118,452	14,458	159,630	-	26,397	
1,887	909	-	-	-	(740)	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
1,887	909	118,452	14,458	159,630	(740)	26,397	
\$ 1,887	\$ 2,083	\$ 132,078	\$ 14,458	\$ 160,187	\$ 1,068	\$ 26,705	

ANDERSON COUNTY, TEXAS

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2018

	Special Revenue					
	Security Service Fee Fund	Justice Court Building Security Fund	Historical Commission Fund	Pre-Trial Diversion Fund	County & District Court Technology Fund	Court Records Preservation Fund
Assets:						
Cash and Investments	\$ 2,702	\$ 27,283	\$ 633	\$ 147,352	\$ 2,446	\$ 19,285
Receivables (net of allowances for estimated uncollectibles):						
Property Taxes	-	-	-	-	-	-
Due from Other Governments	-	-	-	-	-	-
Due from Other Funds	-	-	2	-	-	-
Total Assets	\$ 2,702	\$ 27,283	\$ 635	\$ 147,352	\$ 2,446	\$ 19,285
Liabilities:						
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 359
Accrued Liabilities	1,665	-	-	2,312	-	-
Due to Other Funds	29	-	-	-	-	-
Other Payables	-	-	-	-	-	-
Total Liabilities	1,694	-	-	2,312	-	359
Deferred Inflows of Resources:						
Advanced property tax collections	-	-	-	-	-	-
Unavailable Revenue - property taxes	-	-	-	-	-	-
Unavailable Revenue - grants	-	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-	-
Fund Balances:						
Restricted for:						
General Government	-	-	-	-	-	18,926
Judicial	-	27,283	-	145,040	2,446	-
Public Safety	1,008	-	-	-	-	-
Social Services	-	-	635	-	-	-
Road & Bridge	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Total Fund Balances	1,008	27,283	635	145,040	2,446	18,926
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,702	\$ 27,283	\$ 635	\$ 147,352	\$ 2,446	\$ 19,285

ANDERSON COUNTY, TEXAS

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2018

Special Revenue

District Clerk Technology Fund	Veterans Assistance Grant Fund	HAVA Grant Fund	VAWA/WOCA Grant Fund	Texas VINE Grant Fund	Indigent Defense Grant Fund	Homeland Security Grant Fund
\$ 39,728	\$ -	\$ 2,500	\$ -	\$ -	\$ 184,244	\$ -
-	-	-	-	-	-	-
-	-	-	32,709	-	-	-
-	-	-	-	-	11	-
<u>\$ 39,728</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 32,709</u>	<u>\$ -</u>	<u>\$ 184,255</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 2,035	\$ -	\$ -	\$ -
-	-	-	5,504	-	101	-
-	-	-	28,814	-	-	-
-	-	-	-	-	-	-
-	-	-	<u>36,353</u>	-	<u>101</u>	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	2,500	(3,644)	-	-	-
39,728	-	-	-	-	184,154	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>39,728</u>	<u>-</u>	<u>2,500</u>	<u>(3,644)</u>	<u>-</u>	<u>184,154</u>	<u>-</u>
<u>\$ 39,728</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 32,709</u>	<u>\$ -</u>	<u>\$ 184,255</u>	<u>\$ -</u>

ANDERSON COUNTY, TEXAS

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2018

	Special Revenue					
	NACCHO Grant Fund	Guardianship Fund	FEMA Grant Fund	Emergency Communication Fund	Water Supply Grant Fund	Juvenile Probation Fund
Assets:						
Cash and Investments	\$ 4,240	\$ 40,280	\$ -	\$ 93,199	\$ -	\$ 307,991
Receivables (net of allowances for estimated uncollectibles):						
Property Taxes	-	-	-	-	-	-
Due from Other Governments	-	-	2,250	-	-	-
Due from Other Funds	-	-	-	-	-	4,322
Total Assets	\$ 4,240	\$ 40,280	\$ 2,250	\$ 93,199	\$ -	\$ 312,313
Liabilities:						
Accounts Payable	\$ 2,560	\$ -	\$ -	\$ -	\$ -	\$ 1,703
Accrued Liabilities	-	-	-	-	-	-
Due to Other Funds	-	-	2,250	-	-	-
Other Payables	-	-	-	-	-	-
Total Liabilities	2,560	-	2,250	-	-	1,703
Deferred Inflows of Resources:						
Advanced property tax collections	-	-	-	-	-	-
Unavailable Revenue - property taxes	-	-	-	-	-	-
Unavailable Revenue - grants	-	-	2,250	-	-	-
Total Deferred Inflows of Resources	-	-	2,250	-	-	-
Fund Balances:						
Restricted for:						
General Government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public Safety	1,680	-	(2,250)	93,199	-	310,610
Social Services	-	40,280	-	-	-	-
Road & Bridge	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Total Fund Balances	1,680	40,280	(2,250)	93,199	-	310,610
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,240	\$ 40,280	\$ 2,250	\$ 93,199	\$ -	\$ 312,313

ANDERSON COUNTY, TEXAS

Combining Balance Sheet

Nonmajor Governmental Funds

December 31, 2018

Special Revenue						
LEOSE Fund	DA Drug Forfeiture Fund	Sheriff Forfeiture (Local) Fund	DA Forfeiture (Federal) Fund	Interst & Sinking Fund	Total Nonmajor Governmental Funds	
\$ -	\$ 172,647	\$ 37,469	\$ 15,667	\$ 1,328,958	\$ 3,398,752	
-	-	-	-	1,206,103	1,657,342	
-	-	-	-	-	35,632	
-	509	116	-	-	5,024	
<u>\$ -</u>	<u>\$ 173,156</u>	<u>\$ 37,585</u>	<u>\$ 15,667</u>	<u>\$ 2,535,061</u>	<u>\$ 5,096,750</u>	
\$ -	\$ 3,781	\$ 110	\$ -	\$ -	\$ 33,224	
-	-	-	-	-	12,271	
-	-	-	-	16,131	233,933	
-	-	18,061	-	-	18,061	
-	3,781	18,171	-	16,131	297,489	
-	-	-	-	644,015	865,376	
-	-	-	-	1,203,450	1,653,444	
-	-	-	-	-	2,250	
-	-	-	-	1,847,465	2,521,070	
-	-	-	-	-	336,719	
-	169,375	-	-	-	659,668	
-	-	19,414	15,667	-	439,328	
-	-	-	-	-	61,424	
-	-	-	-	-	109,587	
-	-	-	-	671,465	671,465	
-	169,375	19,414	15,667	671,465	2,278,191	
<u>\$ -</u>	<u>\$ 173,156</u>	<u>\$ 37,585</u>	<u>\$ 15,667</u>	<u>\$ 2,535,061</u>	<u>\$ 5,096,750</u>	

ANDERSON COUNTY, TEXAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended December 31, 2018

	Special Revenue				
	Farm to Market and Lateral Road Fund	Law Enforcement Grant Fund	Law Library Fund	JCT Fee Fund	Child Welfare Board Fund
Revenues:					
Taxes					
Property	\$ 598,874	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	59,626	-	-	4,239
Fees of Office	-	-	-	-	-
Fines and Forfeitures	-	-	22,538	14,733	-
Investment Earnings	-	-	-	-	-
Miscellaneous	-	-	-	-	2,160
Total Revenues	<u>598,874</u>	<u>59,626</u>	<u>22,538</u>	<u>14,733</u>	<u>6,399</u>
Expenditures:					
Current:					
General Government	-	-	-	-	-
Judicial	-	-	20,048	14,986	-
Public Safety	-	27,778	-	-	-
Social Services	-	-	-	-	17,708
Road & Bridge	302,211	-	-	-	-
Debt Service:					
Principal	1,413,290	-	-	-	-
Interest and other charges	92,422	-	-	-	-
Capital Outlay	1,555,829	31,848	-	4,789	-
Total Expenditures	<u>3,363,752</u>	<u>59,626</u>	<u>20,048</u>	<u>19,775</u>	<u>17,708</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(2,764,878)</u>	<u>-</u>	<u>2,490</u>	<u>(5,042)</u>	<u>(11,309)</u>
Other Financing Sources (Uses):					
Proceeds from capital lease	1,555,829	-	-	-	-
Sale of capital assets	1,205,002	-	-	-	-
Transfers In	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>2,760,831</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(4,047)	-	2,490	(5,042)	(11,309)
Fund Balance at Beginning of Year	<u>113,634</u>	<u>-</u>	<u>40,041</u>	<u>52,097</u>	<u>31,818</u>
Fund Balance at End of Year	<u>\$ 109,587</u>	<u>\$ -</u>	<u>\$ 42,531</u>	<u>\$ 47,055</u>	<u>\$ 20,509</u>

ANDERSON COUNTY, TEXAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended December 31, 2018

Special Revenue

District Attorney Hot Check Fund	District Attorney Apportionment Fund	County Clerk Records Archive Fund	District Clerk Records Management & Preservation Fund	County Clerk Records Management & Preservation Fund	Court Reporter Services Fund	County Records Management & Preservation Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,029	22,500	-	-	-	-	-
-	-	91,780	4,355	81,873	11,999	13,046
-	-	-	-	-	-	-
6,029	22,500	91,780	4,355	81,873	11,999	13,046
-	-	165,527	-	55,784	-	12,620
9,511	21,766	-	-	-	13,125	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5,403	-	-
9,511	21,766	165,527	-	61,187	13,125	12,620
(3,482)	734	(73,747)	4,355	20,686	(1,126)	426
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
(3,482)	734	(73,747)	4,355	20,686	(1,126)	426
5,369	175	192,199	10,103	138,944	386	25,971
\$ 1,887	\$ 909	\$ 118,452	\$ 14,458	\$ 159,630	\$ (740)	\$ 26,397

ANDERSON COUNTY, TEXAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended December 31, 2018

Special Revenue

	Security Service Fee Fund	Justice Court Building Security Fund	Historical Commisson Fund	Pre-Trial Diversion Fund	County & District Court Technology Fund	Court Records Preservation Fund
Revenues:						
Taxes						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-	-
Fees of Office	-	-	-	-	-	-
Fines and Forfeitures	25,966	3,660	-	-	1,344	10,655
Investment Earnings	-	-	-	-	-	-
Miscellaneous	-	-	-	65,275	-	-
Total Revenues	<u>25,966</u>	<u>3,660</u>	<u>-</u>	<u>65,275</u>	<u>1,344</u>	<u>10,655</u>
Expenditures:						
Current:						
General Government	-	-	-	-	-	4,825
Judicial	-	-	-	58,259	3,500	-
Public Safety	50,906	-	-	-	-	-
Social Services	-	-	168	-	-	-
Road & Bridge	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital Outlay	27,379	-	-	-	-	2,200
Total Expenditures	<u>78,285</u>	<u>-</u>	<u>168</u>	<u>58,259</u>	<u>3,500</u>	<u>7,025</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(52,319)</u>	<u>3,660</u>	<u>(168)</u>	<u>7,016</u>	<u>(2,156)</u>	<u>3,630</u>
Other Financing Sources (Uses):						
Proceeds from capital lease	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers In	20,000	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(32,319)	3,660	(168)	7,016	(2,156)	3,630
Fund Balance at Beginning of Year	<u>33,327</u>	<u>23,623</u>	<u>803</u>	<u>138,024</u>	<u>4,602</u>	<u>15,296</u>
Fund Balance at End of Year	<u>\$ 1,008</u>	<u>\$ 27,283</u>	<u>\$ 635</u>	<u>\$ 145,040</u>	<u>\$ 2,446</u>	<u>\$ 18,926</u>

ANDERSON COUNTY, TEXAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended December 31, 2018

Special Revenue

District Clerk Technology Fund	Veterans Assistance Grant Fund	HAVA Grant Fund	VAWA/VOCA Grant Fund	Texas VINE Grant Fund	Indigent Defense Grant Fund	Homeland Security Grant Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	133,400	14,468	49,623	61,337
7,564	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	2,000	-	-	-	-
<u>7,564</u>	<u>-</u>	<u>2,000</u>	<u>133,400</u>	<u>14,468</u>	<u>49,623</u>	<u>61,337</u>
-	-	-	66,852	-	-	-
-	-	-	107,606	-	2,550	-
-	-	-	-	14,468	-	-
-	8	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	2,049	-	-	61,337
<u>-</u>	<u>8</u>	<u>-</u>	<u>176,507</u>	<u>14,468</u>	<u>2,550</u>	<u>61,337</u>
<u>7,564</u>	<u>(8)</u>	<u>2,000</u>	<u>(43,107)</u>	<u>-</u>	<u>47,073</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	38,442	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>38,442</u>	<u>-</u>	<u>-</u>	<u>-</u>
7,564	(8)	2,000	(4,665)	-	47,073	-
<u>32,164</u>	<u>8</u>	<u>500</u>	<u>1,021</u>	<u>-</u>	<u>137,081</u>	<u>-</u>
<u>\$ 39,728</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ (3,644)</u>	<u>\$ -</u>	<u>\$ 184,154</u>	<u>\$ -</u>

ANDERSON COUNTY, TEXAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended December 31, 2018

Special Revenue

	NACCHO Grant Fund	Guardianship Fund	FEMA Grant Fund	Emergency Communication Fund	Water Supply Grant Fund	Juvenile Probation Fund
Revenues:						
Taxes						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	5,475	-	16,763	\$ 403,920
Fees of Office	-	-	-	-	-	2,845
Fines and Forfeitures	-	3,681	-	-	-	-
Investment Earnings	-	-	-	-	-	(147)
Miscellaneous	-	-	-	-	-	10,547
Total Revenues	<u>-</u>	<u>3,681</u>	<u>5,475</u>	<u>-</u>	<u>16,763</u>	<u>417,165</u>
Expenditures:						
Current:						
General Government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public Safety	2,560	-	-	5,330	-	550,859
Social Services	-	-	7,800	-	6,025	-
Road & Bridge	-	-	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	500
Total Expenditures	<u>2,560</u>	<u>-</u>	<u>7,800</u>	<u>5,330</u>	<u>6,025</u>	<u>551,359</u>
Excess (Deficiency) of Revenue over Expenditures	<u>(2,560)</u>	<u>3,681</u>	<u>(2,325)</u>	<u>(5,330)</u>	<u>10,738</u>	<u>(134,194)</u>
Other Financing Sources (Uses):						
Proceeds from capital lease	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers In	-	-	2,575	-	-	230,183
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,575</u>	<u>-</u>	<u>-</u>	<u>230,183</u>
Net Change in Fund Balance	(2,560)	3,681	250	(5,330)	10,738	95,989
Fund Balance at Beginning of Year	4,240	36,599	(2,500)	98,529	(10,738)	214,621
Fund Balance at End of Year	<u>\$ 1,680</u>	<u>\$ 40,280</u>	<u>\$ (2,250)</u>	<u>\$ 93,199</u>	<u>\$ -</u>	<u>\$ 310,610</u>

ANDERSON COUNTY, TEXAS

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

Nonmajor Governmental Funds

For the Year Ended December 31, 2018

Special Revenue						
LEOSE Fund	DA Drug Forfeiture Fund	Sheriff Forfeiture (Local) Fund	DA Forfeiture (Federal) Fund	Interest & Sinking Fund	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ 1,486,474	\$ 2,085,348	
-	-	-	-	-	771,351	
-	-	-	-	-	8,874	
-	2,736	191	891	-	297,012	
-	-	-	-	2,230	2,083	
736	1,139	-	-	-	81,857	
<u>736</u>	<u>3,875</u>	<u>191</u>	<u>891</u>	<u>1,488,704</u>	<u>3,246,525</u>	
-	-	-	-	500	306,108	
736	31,848	-	-	-	283,935	
-	-	3,062	-	-	654,963	
-	-	-	-	-	31,709	
-	-	-	-	-	302,211	
-	-	-	-	950,000	2,363,290	
-	-	-	-	488,167	580,589	
-	-	-	-	-	1,691,334	
<u>736</u>	<u>31,848</u>	<u>3,062</u>	<u>-</u>	<u>1,438,667</u>	<u>6,214,139</u>	
-	(27,973)	(2,871)	891	50,037	(2,967,614)	
-	-	-	-	-	1,555,829	
-	-	-	-	-	1,205,002	
-	-	-	-	3,228	294,428	
-	-	-	-	3,228	3,055,259	
-	(27,973)	(2,871)	891	53,265	87,645	
-	197,348	22,285	14,776	618,200	2,190,546	
<u>\$ -</u>	<u>\$ 169,375</u>	<u>\$ 19,414</u>	<u>\$ 15,667</u>	<u>\$ 671,465</u>	<u>\$ 2,278,191</u>	

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AGENCY FUNDS

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AGENCY FUNDS

Agency Funds are used to account for assets held by the County as an agent for individual private organizations and other governments. The following are the County's agency funds:

Tax Assessor-Collector – This fund is used to record tax collections which are deposited intact pending audit and distribution to the state and other taxing authorities.

County Clerk – This fund is used to account for monies held on behalf of individuals in accordance with court order pending distribution.

District Clerk – This fund is used to account for monies held on behalf of individuals in accordance with court order pending distribution.

Sheriff – This fund is used to account for monies collected and disbursed by the Sheriff's office.

Justice of the Peace – This fund is used to account for monies collected and disbursed by the Justices of the Peace.

Criminal District Attorney – This fund is used to account for monies collected by the Criminal District Attorney.

Constables – This fund is used to account for money collected and disbursed by the Constables.

ANDERSON COUNTY, TEXAS

Combining Statement of Changes in Assets and Liabilities
All Agency Funds

For the Year Ended December 31, 2018

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
<u>TAX ASSESSOR-COLLECTOR</u>				
Assets:				
Cash and investments	\$ <u>1,554,379</u>	\$ <u>17,300,407</u>	\$ <u>17,874,248</u>	\$ <u>980,538</u>
Liabilities:				
Due to others	\$ <u>1,554,379</u>	\$ <u>17,300,407</u>	\$ <u>17,874,248</u>	\$ <u>980,538</u>
<u>COUNTY CLERK</u>				
Assets:				
Cash and investments	\$ <u>157,090</u>	\$ <u>1,270,806</u>	\$ <u>895,979</u>	\$ <u>531,917</u>
Liabilities:				
Due to others	\$ <u>157,090</u>	\$ <u>1,270,806</u>	\$ <u>895,979</u>	\$ <u>531,917</u>
<u>DISTRICT CLERK</u>				
Assets:				
Cash and investments	\$ <u>1,732,393</u>	\$ <u>1,026,415</u>	\$ <u>1,040,603</u>	\$ <u>1,718,205</u>
Liabilities:				
Due to others	\$ <u>1,732,393</u>	\$ <u>1,026,415</u>	\$ <u>1,040,603</u>	\$ <u>1,718,205</u>
<u>SHERIFF</u>				
Assets:				
Cash and investments	\$ <u>24,295</u>	\$ <u>929,902</u>	\$ <u>882,598</u>	\$ <u>71,599</u>
Liabilities:				
Due to others	\$ <u>24,295</u>	\$ <u>929,902</u>	\$ <u>882,598</u>	\$ <u>71,599</u>
<u>JUSTICE OF THE PEACE</u>				
Assets:				
Cash and investments	\$ <u>5,737</u>	\$ <u>872,233</u>	\$ <u>816,397</u>	\$ <u>61,573</u>
Liabilities:				
Due to others	\$ <u>5,737</u>	\$ <u>872,233</u>	\$ <u>816,397</u>	\$ <u>61,573</u>
<u>CRIMINAL DISTRICT ATTORNEY</u>				
Assets:				
Cash and investments	\$ <u>-</u>	\$ <u>49,890</u>	\$ <u>52,422</u>	\$ <u>(2,532)</u>
Liabilities:				
Due to others	\$ <u>-</u>	\$ <u>49,890</u>	\$ <u>52,422</u>	\$ <u>(2,532)</u>

ANDERSON COUNTY, TEXAS

Combining Statement of Changes in Assets and Liabilities
All Agency Funds

For the Year Ended December 31, 2018

CONSTABLES

Assets:

Cash and investments	\$ <u>9,549</u>	\$ <u>-</u>	\$ <u>2,389</u>	\$ <u>7,160</u>
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Liabilities:

Due to others	\$ <u>9,549</u>	\$ <u>-</u>	\$ <u>2,389</u>	\$ <u>7,160</u>
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TOTALS - ALL AGENCY FUNDS

Assets:

Cash and investments	\$ <u>3,483,443</u>	\$ <u>21,449,653</u>	\$ <u>21,564,636</u>	\$ <u>3,368,460</u>
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Liabilities:

Due to others	\$ <u>3,483,443</u>	\$ <u>21,449,653</u>	\$ <u>21,564,636</u>	\$ <u>3,368,460</u>
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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable County Judge
and County Commissioners
Anderson County, 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 Anderson County, Texas (“the County”), as of and for the year ended December 31, 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 November 15, 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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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, L.L.P.

Waco, Texas
November 15, 2019