

SABINE COUNTY, TEXAS
Hemphill, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Honorable Daryl Melton, County Judge
and Members of the Commissioners' Court
Sabine County, Texas
Hemphill, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sabine County, Texas (the "County"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Sabine County, Texas, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 and budgetary comparison information on pages 41 through 50 and supplemental pension schedules on pages 51 and 52, 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 Sabine County, Texas' basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and compliance section 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 nonmajor fund financial statements and compliance section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 23, 2018, on our consideration of Sabine 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 compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sabine County's internal control over financial reporting and compliance.

Lufkin, Texas
July 23, 2018


CERTIFIED PUBLIC ACCOUNTANTS

Managements' Discussion and Analysis

This section of the Sabine County's (the "County") annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended December 31, 2017. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The County's total combined net position was \$10,693,150 at December 31, 2017, a decrease of \$634,270 for activities from the prior year.
- Total government-wide revenues for the current year were \$5,695,200 compared to \$5,874,316 in the prior year, a decrease of \$179,116 or 3.0%.
- During the current year, the County's expenses were \$4,632,070, more than the \$1,697,400 generated in charges for services and operating grants and contributions.
- The general fund reported an unassigned fund balance this year of \$3,363,679.

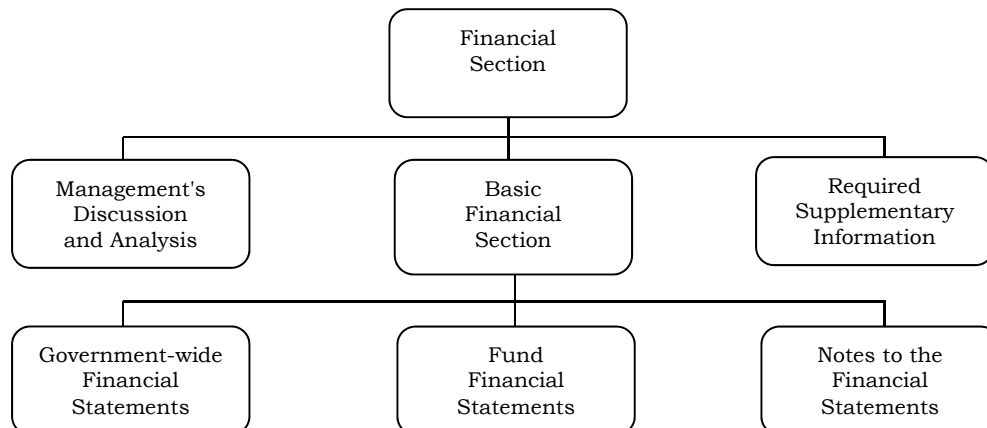
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The figure below shows how the required parts of this annual report are arranged and related to one another.

COMPONENTS OF THE FINANCIAL SECTION



Government-wide Statements

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

The two government-wide statements report the County's net position and how it has changed. Net position (the difference between the County's assets and deferred outflows and liabilities and deferred inflows) are one way to measure the County's financial health or *position*.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional non-financial factors such as changes in the County's tax base, per-capita income, or population.

The government-wide financial statements of the County include the *Governmental activities*. Most of the County's basic services are included here, such as general administration, judicial and law enforcement, maintenance of highways and streets, and enhancing the health and well-being of the citizens. Property taxes and grants finance most of these activities.

Fund Financial Statements

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

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

The County has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As year to year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the County as a whole. The County's combined net position at the fiscal year end was \$10,693,150. The following table provides a summary of the County's net position:

	DECEMBER 31,		AMOUNT OF CHANGE	%
	2017	2016		
Current and other assets	\$ 8 455 407	\$ 8 719 760	\$ (264 351)	(3.0)
Capital assets	1 933 713	2 171 842	(238 129)	(10.9)
TOTAL ASSETS	<u>10 389 120</u>	<u>10 891 602</u>	<u>(502 482)</u>	(4.6)
Deferred outflows related to pension	598 842	684 371	(85 529)	(12.5)
Current liabilities	201 814	189 384	12 430	6.6
Long-term liabilities	33 085	59 169	(26 084)	(44.1)
TOTAL LIABILITIES	<u>234 899</u>	<u>248 553</u>	<u>(13 654)</u>	(5.5)
Net Position:				
Invested in capital assets	1 933 713	2 171 842	(238 129)	(11.0)
Restricted	3 895 888	4 434 943	(539 055)	(12.2)
Unrestricted	4 863 549	4 720 635	142 914	3.0
TOTAL NET POSITION	<u>\$ 10 693 150</u>	<u>\$ 11 327 420</u>	<u>\$ (634 270)</u>	(5.6)

Net assets of the County's governmental activities decreased by \$634,270 during the year ending December 31, 2017, down 5.6% from the prior year. However, some parts of this net position are either restricted as to the purposes they can be used for, or are invested in capital assets (buildings, vehicles, equipment, and so on). Consequently, unrestricted net position n totaled \$4,863,549 at year end, and increase of 3.0%.

Governmental Activities

- The cost of all *governmental* activities this year was \$6,329,470.
- The amount that our taxpayers paid for these activities through property taxes was \$2,802,093.
- Some of the cost was paid by those who directly benefited from service fees and charges \$987,351 and from operating grants and contributions \$710,049.

The following table provides a summary of the County's operational activities and changes in net position:

**SUMMARY OF ACTIVITIES AND CHANGES IN NET ASSETS
GOVERNMENT-WIDE ACTIVITIES**

	DECEMBER 31,		AMOUNT OF CHANGE	%
	2017	2016		
Program Revenues:				
Charges for services	\$ 987 351	\$ 1 123 547	\$ (136 196)	(12.1)
Operating grants/contributions	710 049	1 221 315	(511 266)	(42.8)
General Revenues:				
Property taxes	2 802 093	2 648 145	153 948	5.8
Other taxes	405 278	300 492	104 786	34.8
Interest income	92 263	98 908	(6 645)	(6.7)
Other income	698 166	481 909	216 257	44.8
TOTAL REVENUES/ CONTRIBUTIONS	<u>5 695 200</u>	<u>5 874 316</u>	<u>(179 116)</u>	(3.0)
Expenses:				
General government	965 640	883 577	82 063	9.3
Judicial	661 250	580 699	80 551	13.9
Legal	155 827	137 345	18 482	13.5
Public Safety	1 725 897	1 748 179	(22 282)	(1.3)
Highways and streets	1 525 228	1 873 508	(348 280)	(18.6)
Financial administration	655 756	552 746	103 010	18.6
Conservation	9 293	20 891	(11 598)	(55.5)
Pass-through to other entities	630 579	450 878	179 701	39.8
TOTAL EXPENSES	<u>6 329 470</u>	<u>6 247 823</u>	<u>81 647</u>	1.3
REVENUES OVER (UNDER) EXPENSES	(634 270)	(373 507)	(261 763)	(69.8)
Beginning net position	11 327 420	11 700 927	(373 507)	(3.2)
ENDING NET POSITION	<u>\$ 10 693 150</u>	<u>\$ 11 327 420</u>	<u>\$ (634 270)</u>	(5.6)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The fund balances for the County's governmental funds are summarized below:

**SUMMARY OF FUND BALANCES
GOVERNMENTAL FUNDS**

	DECEMBER 31,		AMOUNT OF CHANGE	%
	2017	2016		
General Fund	\$ 3 363 679	\$ 3 136 039	\$ 227 640	7.3
Road and Bridge Funds	3 526 772	4 053 399	(526 627)	(13.0)
Special Revenue Funds	369 130	381 558	(12 428)	(3.3)
TOTAL FUND BALANCE	<u>\$ 7 259 581</u>	<u>\$ 7 570 996</u>	<u>\$ (311 415)</u>	(4.1)

General Fund Budgetary Highlights

Over the course of the year, the County revised the general fund budget and the road and bridge fund budget several times. With these adjustments, actual general fund expenditures were \$217,764 below final budget amounts. There were no significant variances from the County's 2017 final budget as compared to the actual expenditures, as departments stayed very closely within the budgeted amounts.

Actual revenues were \$176,483 above the final budgeted revenues.

Taking both budget factors into account, the County experienced an increase in the fund balance of the General fund of \$227,640, when the final budget called for a \$136,607 decrease in fund balance.

CAPITAL ASSETS ADMINISTRATION

Capital Assets

At December 31, 2017, the County had invested \$10,591,791 in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net increase (including additions and deductions) of \$118,110 over last year.

	DECEMBER 31,		AMOUNT OF CHANGE	%
	2017	2016		
Land	\$ 120 714	\$ 120 714	\$ -	-
Buildings and improvements	1 216 026	1 216 026	-	-
Equipment and vehicles	4 237 367	4 204 257	33 110	0.8
Roads and bridges	5 017 684	4 932 684	85 000	0.2
TOTAL CAPITAL ASSETS	\$ 10 591 791	\$ 10 473 681	\$ 118 110	1.1

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2018 budget preparation is estimated to be approximately \$683,250,873 which is an increase of approximately 2.3% from the 2017 appraised values of \$667,212,702.
- Proposed tax rate for 2018 budget is \$0.428826 per \$100 valuation.

These indicators were taken into account when adopting the general fund budget for 2018. Expenditures in the general fund 2018 budget are \$3,892,219 a decrease of \$336,357 or 0.08% from the 2017 actual expenditures of \$4,228,576. Property taxes may increase by approximately \$120,000 due to increase in appraised values. The County has added no major new programs or initiatives to the 2018 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

SABINE COUNTY, TEXAS
STATEMENT OF NET POSITION
December 31, 2017

EXHIBIT A-1

GOVERNMENTAL
ACTIVITIES

ASSETS		<u>GOVERNMENTAL ACTIVITIES</u>
Current Assets:		
Cash and investments	\$	6 922 155
Restricted cash		146 022
Receivables Net of Allowance for Uncollectibles:		
Taxes		1 019 083
Due from state		27 805
Due from other funds		328 203
Other		12 139
TOTAL CURRENT ASSETS		<u>8 455 407</u>
Noncurrent Assets:		
Capital Assets:		
Land		120 714
Streets and infrastructure		1 061 732
Buildings and improvements		324 189
Vehicles		80 220
Machinery and equipment		346 858
TOTAL CAPITAL ASSETS		<u>1 933 713</u>
TOTAL ASSETS		<u>10 389 120</u>
DEFERRED OUTFLOW		
Contribution subsequent to measurement date		127 546
Pension deferred outflows		471 296
TOTAL DEFERRED OUTFLOW		<u>598 842</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$	<u><u>10 987 962</u></u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$	63 501
Due to state		25 982
Accrued liabilities		112 331
TOTAL CURRENT LIABILITIES		<u>201 814</u>
Noncurrent Liabilities:		
Pension liability		33 085
TOTAL NONCURRENT LIABILITIES		<u>33 085</u>
TOTAL LIABILITIES		<u>234 899</u>
Deferred pension inflows		<u>59 913</u>
NET POSITION		
Net investment in capital assets		1 933 713
Restricted		3 895 888
Unrestricted		4 863 549
TOTAL NET POSITION	\$	<u><u>10 693 150</u></u>

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

SABINE COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

EXHIBIT A-2

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			CHANGES IN NET POSITION PRIMARY GOVERNMENT
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Primary Government:					
Governmental Activities:					
General administration	\$ 965 640	\$ 112 050	\$ -	\$ -	\$ (853 590)
Judicial	661 250	175 904	-	-	(485 346)
Legal	155 827	-	-	-	(155 827)
Public safety	1 725 897	123 750	83 358	-	(1 518 789)
Highways and bridges	1 525 228	452 381	-	-	(1 072 847)
Financial administration	655 756	123 266	-	-	(532 490)
Conservation	9 293	-	-	-	(9 293)
Pass through to other entities	630 579	-	626 691	-	(3 888)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6 329 470	\$ 987 351	\$ 710 049	\$ -	(4 632 070)
General Revenues:					
Taxes:					
Property taxes					2 802 093
Other tax revenue					405 278
Unrestricted investment earnings					92 263
Other unrestricted revenue					698 166
TOTAL GENERAL REVENUES					3 997 800
CHANGE IN NET POSITION					(634 270)
Net position, beginning					11 327 420
NET POSITION, ENDING					\$ 10 693 150

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

SABINE COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017

	GENERAL	ROAD & BRIDGE 1	ROAD & BRIDGE 2
ASSETS			
Cash and investments	\$ 3 008 598	\$ 1 198 217	\$ 820 211
Restricted cash	146 022	-	-
Taxes receivable	1 019 083	-	-
Other receivables	-	1 852	-
Due from state	217 805	-	-
Due from other funds	324 475	-	-
TOTAL ASSETS	\$ 4 525 983	\$ 1 200 069	\$ 820 211
 LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 60 207	\$ 2 648	\$ -
Due to state	25 982	-	-
Due to other funds	-	135	136
Accrued liabilities	82 103	12 312	6 265
TOTAL LIABILITIES	168 292	15 095	6 401
 Deferred Inflows:			
Unearned revenues	994 012	-	-
TOTAL LIABILITIES AND DEFERRED INFLOWS	1 162 304	33 828	6 401
 Fund Balances:			
Restricted Fund Balance:			
Road and bridge maintenance	-	1 184 974	813 810
Hotel/motel tax usage	-	-	-
Federal and state grants	-	-	-
Construction	-	-	-
Record retention	-	-	-
Unrestricted Reported in:			
Unassigned	3 363 679	-	-
TOTAL FUND BALANCES	3 363 679	1 184 974	813 810
 TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	 \$ 4 525 983	 \$ 1 200 069	 \$ 820 211

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

	<u>ROAD & BRIDGE 3</u>	<u>ROAD & BRIDGE 4</u>	<u>NON MAJOR GOVERNMENTAL</u>	<u>TOTAL</u>
\$	661 337	\$ 878 572	\$ 355 220	\$ 6 922 155
	-	-	-	146 022
	-	-	-	1 019 083
	-	-	10 287	12 139
	-	-	-	27 805
	-	-	4 269	328 744
\$	<u>661 337</u>	<u>\$ 878 572</u>	<u>\$ 369 776</u>	<u>\$ 8 455 948</u>
\$	-	\$ -	\$ 646	\$ 63 501
	-	-	-	25 982
	174	96	-	541
	5 883	5 768	-	112 331
	<u>6 057</u>	<u>5 864</u>	<u>646</u>	<u>202 355</u>
	-	-	-	994 012
	<u>6 057</u>	<u>5 864</u>	<u>646</u>	<u>1 196 367</u>
	655 280	872 708	2 647	3 529 419
	-	-	64 211	64 211
	-	-	97 634	97 634
	-	-	73 399	73 399
	-	-	131 225	131 225
	-	-	14	3 363 693
	<u>655 280</u>	<u>872 708</u>	<u>369 130</u>	<u>7 259 581</u>
\$	<u>661 337</u>	<u>\$ 878 572</u>	<u>\$ 369 776</u>	<u>\$ 8 455 948</u>

SABINE COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2017

EXHIBIT A-4

Total fund balances - Governmental funds balance sheet	\$ 7 259 581
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not reported in the funds.	1 933 713
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	994 012
Recognition of the County's proportionate share of the net pension liability is not reported in the funds.	(33 085)
Deferred resource outflows and inflows related to the pension are not reported in the funds.	<u>538 829</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	\$ <u><u>10 693 150</u></u>

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

760 360
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2017

	GENERAL	ROAD & BRIDGE 1	ROAD & BRIDGE 2
Revenues:			
Property taxes	\$ 2 767 461	\$ -	\$ -
Other taxes	325 934	-	-
Fines and fees	400 583	107 583	112 065
Interest	42 180	14 464	9 792
Intergovernmental	884 379	96 716	100 748
Miscellaneous	116 203	11 401	17 987
TOTAL REVENUES	4 536 740	230 164	240 592
Expenditures:			
General administration	759 870	-	-
Judicial	601 316	-	-
Legal	141 765	-	-
Public safety	1 598 015	-	-
Highways and streets	-	311 995	375 325
Financial administration	596 619	-	-
Conservation	8 446	-	-
Pass through to other entities	630 579	-	-
TOTAL EXPENDITURES	4 337 100	311 995	375 325
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	199 640	(81 831)	(134 733)
Other Financing Sources (Uses):			
Transfers in (out)	28 000	(10 000)	(10 000)
TOTAL OTHER FINANCING SOURCES (USES)	28 000	(10 000)	(10 000)
NET CHANGE IN FUND BALANCES	227 640	(91 831)	(144 733)
Fund balance, beginning	3 136 039	1 276 805	958 543
FUND BALANCE, ENDING	\$ 3 363 679	\$ 1 184 974	\$ 813 810

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

	<u>ROAD & BRIDGE 3</u>	<u>ROAD & BRIDGE 4</u>	<u>NON MAJOR GOVERNMENTAL</u>	<u>TOTAL</u>
\$	-	\$ -	\$ -	\$ 2 767 461
	-	-	79 344	405 278
	112 065	116 548	57 089	905 933
	9 792	12 555	3 480	92 263
	100 748	104 778	3 355	1 290 724
	16 595	36 723	-	198 909
	<u>239 200</u>	<u>270 604</u>	<u>143 268</u>	<u>5 660 568</u>
	-	-	117 767	878 127
	-	-	995	602 311
	-	-	-	141 765
	-	-	1 631	1 599 646
	341 705	438 162	47 303	1 514 490
	-	-	-	596 619
	-	-	-	8 446
	-	-	-	630 579
	<u>341 705</u>	<u>438 162</u>	<u>167 696</u>	<u>5 971 983</u>
	<u>(102 505)</u>	<u>(167 558)</u>	<u>(24 428)</u>	<u>(311 415)</u>
	<u>(10 000)</u>	<u>(10 000)</u>	<u>12 000</u>	<u>-</u>
	<u>(10 000)</u>	<u>(10 000)</u>	<u>12 000</u>	<u>-</u>
	(112 505)	(177 558)	(12 428)	(311 415)
	<u>767 785</u>	<u>1 050 266</u>	<u>381 558</u>	<u>7 570 996</u>
\$	<u>655 280</u>	\$ <u>872 708</u>	\$ <u>369 130</u>	\$ <u>7 259 581</u>

SABINE 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, 2017

EXHIBIT A-6

Net change in fund balances - Total governmental funds.	\$ (311 415)
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
Capital outlays are not reported as expenses in the SOA.	118 110
The depreciation of capital assets used in governmental activities is not reported in the funds.	(356 239)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	34 632
Repayment of capital lease principal is an expenditure in the funds, but is not an expense in the SOA.	54 671
Pension contributions made after the measurement date, but in current FY were de-expended and reduced NP.	127 546
Pension expense relating to GASB 68 is recorded in the SOA, but not in the funds.	<u>(301 575)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	<u>\$ (634 270)</u>

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

SABINE COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
December 31, 2017

EXHIBIT A-7

	<u>AGENCY FUNDS</u>
ASSETS	
Restricted Assets:	
Cash and cash equivalents	\$ 1 134 549
TOTAL ASSETS	<u>\$ 1 134 549</u>
LIABILITIES	
Due to County	\$ 328 072
Due to other beneficiaries	806 477
TOTAL LIABILITIES	<u>\$ 1 134 549</u>

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

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

- The organization is legally separate (can sue and be sued in its name)
- The County holds the corporate powers of the organization
- The County appoints a voting majority of the organization's board
- The County is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the County
- There is fiscal dependency by the organization on the County
- The exclusion of the organization would result in misleading or incomplete financial statements

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

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

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

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

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

The County reports the following major governmental funds:

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

Road and Bridge Funds 1, 2, 3, and 4: These special revenue funds are used by the County for the maintenance of the roads and bridges in the county. The County transfers federal funds to Road and Bridge that it receives for the federal forest.

In addition, the County reports the following fund types:

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

Special Revenue Funds: These funds are used to account for the proceeds of specific revenue sources (other than agency, debt service, and capital project) such as federal, state, or locally financed programs where unused balances are returned to the grantor at the close of the specified project periods. Funds are legally restricted to expenditures for specific purposes.

Measurement Focus, Basis of Accounting

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

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

C. Financial Statement Amounts

Property Taxes

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

Allowance for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible taxes was \$154,828 at December 31.

Inventories and Prepaid Items

The County records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. The County does not currently have an inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The County does not currently have any prepaid items.

Capital Assets

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

SABINE COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended December 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

ASSET CLASS	ESTIMATED USEFUL LIVES
Infrastructure	15-45
Buildings	5-39
Building improvements	7-20
Vehicles	5-7
Machinery and equipment	5-10
Computer equipment	3-7

Receivable and Payable Balances

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

There are no significant receivables which are scheduled for collection within one year of year end.

Interfund Activity

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

Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

- Nonspendable Fund Balance - Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).
- Restricted Fund Balance - Represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Committed Fund Balance - Represents amounts that can only be used for a specific purpose because of a formal action by the County's Commissioners Court. Committed amounts cannot be used for any other purpose unless the Commissioners' Court removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Commissioners Court. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitution provisions, or enabling legislation.
- Assigned Fund Balance - Represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Commissioners Court or by an official or body to which the Commissioners Court delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself.
- Unassigned Fund Balance - Represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

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

Pension

The County reports a liability for pension obligations and related deferred outflows of resources in accordance with GASB No. 68, Accounting and Financial Reporting for Pensions, and GASB 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Changes in the net pension liability from year-to-year will be recognized as pension expense on the statement of activities or reported as deferred outflows/inflows of resources, depending on the type of change. Deferred inflows/outflows of resources are amounts that are not entirely recognized when they occur and are recognized over a period of time.

SABINE COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended December 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The County has only one item that qualifies for reporting in this category. This item is deferred outflows of resources for pension reported in the government-wide statement of net position. This deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflows of resources (revenue) until that time. The County has two types of these item which arises under a modified accrual basis of accounting; unavailable revenues which is reported only in the governmental funds balance sheet, and deferred inflow of resources related to pensions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Tax Abatements

The County does not currently have any abated or future property tax abatements.

II. COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions

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

FUND/DEPARTMENT	EXCEEDED BUDGET
General/9-1-1	\$ 3 340
General/Justice Grant	\$ 488
General/Tax Assessor/Collector	\$ 2 314

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

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

FUND NAME	DEFICIT AMOUNT	REMARKS
None reported	Not applicable	Not applicable

SABINE COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended December 31, 2017

III. DEPOSITS AND INVESTMENTS

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

Cash Deposits

At December 31, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,202,727 and the bank balance was \$8,494,294. The County's cash deposits at December 31, and during the year ended December 31, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

Investments

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

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

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

The County's investments at December 31 are shown below:

<u>INVESTMENT OR INVESTMENT TYPE</u>	<u>MATURITY</u>	<u>FAIR VALUE</u>
Certificates of deposit - Road & Bridge 1	< 1 year	\$ 808 138
Certificates of deposit - Road & Bridge 2	< 1 year	418 785
Certificates of deposit - Road & Bridge 3	< 1 year	418 785
Certificates of deposit - Road & Bridge 4	< 1 year	418 785
TOTAL INVESTMENTS		\$ <u>2 064 493</u>

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2017

III. DEPOSITS AND INVESTMENTS - CONTINUED

Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

Deposits

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2017

IV. CAPITAL ASSETS

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

	<u>BALANCE</u> <u>12/31/2016</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/2017</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 120 714	\$ -	\$ -	\$ 120 714
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>120 714</u>	<u>-</u>	<u>-</u>	<u>120 714</u>
Capital Assets Being Depreciated:				
Buildings and improvement	1 216 026	-	-	1 216 026
Equipment	3 389 354	-	-	3 389 354
Vehicles	814 903	33 110	-	848 013
Infrastructure	4 932 684	85 000	-	5 017 684
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>10 352 967</u>	<u>118 110</u>	<u>-</u>	<u>10 471 077</u>
Less Accumulated Depreciation For:				
Buildings and improvement	(858 942)	(32 895)	-	(891 837)
Equipment	(2 903 469)	(139 029)	-	(3 042 498)
Vehicles	(695 547)	(72 246)	-	(767 792)
Infrastructure	(3 843 881)	(112 070)	-	(3 955 951)
TOTAL ACCUMULATED DEPRECIATION	<u>(8 301 839)</u>	<u>(356 239)</u>	<u>-</u>	<u>(8 658 078)</u>
TOTAL NET CAPITAL ASSETS BEING DEPRECIATED	<u>2 051 128</u>	<u>(238 129)</u>	<u>-</u>	<u>1 812 999</u>
NET GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	<u>\$ 2 171 842</u>	<u>\$ (238 129)</u>	<u>\$ -</u>	<u>\$ 1 933 713</u>

Depreciation was charged to functions as follows:

General government	\$ 59 121
Judicial	39 596
Legal	9 447
Public safety	106 731
Highways and streets	101 046
Financial	39 729
Conservation	569
	<u>\$ 356 239</u>

V. INTERFUND BALANCES AND ACTIVITY

Due To and From Other Funds

Balances due to and due from other funds at December 31, consist of the following:

Agency Funds	General Fund	\$ 324 475	Transfer fee office receipts
Special Revenue Funds	Agency Funds	4 269	Transfer fee office receipts
R&B Fund #1	Agency Funds	135	Transfer fee office receipts
R&B Fund #2	Agency Funds	136	Transfer fee office receipts
R&B Fund #3	Agency Funds	174	Transfer fee office receipts
R&B Fund #4	Agency Funds	96	Transfer fee office receipts
		<u>\$ 330 596</u>	

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

SABINE COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended December 31, 2017

V. INTERFUND BALANCES AND ACTIVITY - CONTINUED

Transfers To and From Other Funds

Transfers to and from other funds at December 31, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	R&B Fund #1	\$ 10 000	Transfer federal forest funds
General Fund	R&B Fund #2	10 000	Transfer federal forest funds
General Fund	R&B Fund #3	10 000	Transfer federal forest funds
General Fund	R&B Fund #4	10 000	Transfer federal forest funds
Special Revenue Funds	General Fund	22 800	Reimburse for salaries
		<u>\$ 84 800</u>	

VI. LONG-TERM OBLIGATIONS

Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended December 31, are as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
Capital leases	\$ 54 671	\$ -	\$ 54 671	\$ -	\$ -
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 54 671</u>	<u>\$ -</u>	<u>\$ 54 671</u>	<u>\$ -</u>	<u>\$ -</u>

Description of Capital Leases

As of December 31, cost of equipment under capital lease totaled \$286,307, with accumulated depreciation of \$286,307. Current year depreciation totaled \$14,316.

VII. COMMITMENTS UNDER NON-CAPITALIZED LEASES

Commitments under operating (non-capitalized) lease agreements for software license and equipment provide for minimum future rental payments as of December 31, as follows:

<u>YEAR ENDING DECEMBER 31,</u>	
2018	\$ 42 648
2019	37 348
TOTAL MINIMUM RENTALS	<u>\$ 79 996</u>
RENTAL EXPENDITURES IN 2017	<u>\$ 35 149</u>

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2017

VIII. RISK MANAGEMENT

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

IX. PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through 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 641 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 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. 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.

SABINE COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended December 31, 2017

IX. PENSION PLAN - CONTINUED

Actuarial Assumptions

Following are the key assumptions and methods used in this GASB analysis.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Asset Valuation Method	5 year smoothed market
Inflation	Same as funding valuation
Salary Increases	Same as funding valuation
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation
Turnover	Same as funding valuation
Mortality	Same as funding valuation

(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

Actuarial Methods and Assumptions Used for Funding Valuation:

Following is a description of the assumptions used in the December 31, 2015 actuarial valuation analysis for Sabine County. This information may also be found in the Sabine County December 31, 2016 Summary Valuation Report.

Economic Assumptions:

TCDRS System-Wide Economic Assumptions:

Real rate of return	5.0%
Inflation	3.0%
Long-term investment return	8.0%

The long-term investment return of 8% is net of investment expenses and is expected to enable the system to credit interest at the nominal annual rates shown below to the following major funds:

Subdivision Accumulation Fund	9%
Employees Saving Fund	7%
Current Service Annuity Reserve Fund	7%

Assuming interest will be credited at these nominal annual rates to the various funds, we have then assumed the following:

- An annual rate of 9% for calculating the actuarial accrued liability and normal cost contributions rate for the retirement plan of each participating employer.
- An annual rate of 7% required under the TCDRS Act for: (1) accumulating current service credit and multiple matching credit after the valuation date; (2) accumulating prior service credit after the valuation date; (3) determining the amount of the monthly benefit at future dates of retirement or disability; and (4) calculating the actuarial accrued liability of the system-wide Current Service Annuity Reserve Fund.

SABINE COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended December 31, 2017

IX. PENSION PLAN - CONTINUED

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee. (See Table 1 for Merit Salary Increases.)

Employer-Specific Economic Assumptions:

Growth in membership	0.00%
Payroll growth	3.50%

The payroll growth assumption is for the aggregate covered payroll of an employer.

Table 1
Merit Salary Increases*

Years of Service	Entry Age			
	Before 30	Ages 30-39	Ages 40-49	50 and Later
0	5.25%	4.75%	4.25%	3.75%
1	4.50%	4.00%	3.50%	3.00%
2	4.00%	3.50%	3.00%	2.50%
3	3.50%	3.00%	2.50%	2.00%
4	3.00%	2.50%	2.00%	1.50%
5	2.65%	2.15%	1.65%	1.15%
6	2.40%	1.90%	1.40%	0.90%
7	2.20%	1.70%	1.20%	0.70%
8	2.05%	1.55%	1.05%	0.55%
9	1.95%	1.45%	0.95%	0.45%
10	1.85%	1.35%	0.85%	0.40%
11	1.75%	1.25%	0.75%	0.40%
12	1.65%	1.15%	0.65%	0.40%
13	1.55%	1.05%	0.55%	0.40%
14	1.56%	0.95%	0.45%	0.40%
15	1.35%	0.90%	0.40%	0.40%
16	1.25%	0.85%	0.40%	0.40%
17	1.15%	0.80%	0.40%	0.40%
18	1.10%	0.75%	0.40%	0.40%
19	1.05%	0.70%	0.40%	0.40%
20	1.00%	0.65%	0.40%	0.40%
21	0.95%	0.60%	0.40%	0.40%
22	0.90%	0.55%	0.40%	0.40%
23	0.85%	0.50%	0.40%	0.40%
24	0.80%	0.45%	0.40%	0.40%
25	0.75%	0.40%	0.40%	0.40%
26	0.70%	0.40%	0.40%	0.40%
27	0.65%	0.40%	0.40%	0.40%
28	0.60%	0.40%	0.40%	0.40%
29	0.55%	0.40%	0.40%	0.40%
30 & Up	0.50%	0.40%	0.40%	0.40%

* These rates do not include the wage inflation rate of 3.5% per year. For example, a member who entered the system at age 20 and is in the first year of service is assumed to receive an 8.93% total annual increase in his salary. The 8.93% is a combination of the 5.25% merit increase and the 3.5% wage inflation. Note that the two components are compounded, so it is a slightly different result than just adding the two percentages.

SABINE COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended December 31, 2017

IX. PENSION PLAN - CONTINUED

Demographic Assumptions

TCDRS System-Wide Demographic Assumptions:

Replacement of Terminated Members - New employees are assumed to replace any terminated members and have similar entry ages.

Disability - The rates of disability used in this valuation are illustrated in Table 2. Members who become disabled are eligible to commence benefit payments regardless of age. Rates of disability are in a custom table based on TCDRS experience.

Table 2
Annual Rates of Disability*

Age	Work Related Male and Female	All Other Causes Male and Female	Age	Work Related Male and Female	All Other Causes Male and Female
less than 25	0.000%	0.000%	43	0.005%	0.072%
25	0.000%	0.000%	44	0.005%	0.079%
26	0.000%	0.000%	45	0.006%	0.086%
27	0.000%	0.000%	46	0.006%	0.095%
28	0.000%	0.010%	47	0.007%	0.105%
29	0.000%	0.010%	48	0.007%	0.119%
30	0.000%	0.011%	49	0.008%	0.136%
31	0.000%	0.012%	50	0.009%	0.156%
32	0.000%	0.012%	51	0.009%	0.178%
33	0.000%	0.014%	52	0.010%	0.203%
34	0.000%	0.018%	53	0.011%	0.229%
35	0.001%	0.023%	54	0.012%	0.254%
36	0.001%	0.028%	55	0.014%	0.278%
37	0.001%	0.035%	56	0.016%	0.297%
38	0.002%	0.041%	57	0.018%	0.312%
39	0.002%	0.047%	58	0.022%	0.325%
40	0.003%	0.053%	59	0.024%	0.337%
41	0.004%	0.059%	60 & Above	0.000%	0.000%
42	0.004%	0.066%			

* The probability of disablement from all other causes is applicable for members who are vested but not eligible for service retirement. Before a member is vested, only the work related disability provisions are applicable.

Mortality

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

Family Composition - For current retirees, beneficiary information is supplied by TCDRS. For purposes of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

Service Retirement - Members eligible for service retirement are assumed to retire at the rates shown in Table 3.

SABINE COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended December 31, 2017

IX. PENSION PLAN - CONTINUED

Table 3
Annual Rates of Service Retirement*

Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	62	25.0%	25.0%
45-40	9.0%	9.0%	63	16.0%	16.0%
50	10.0%	10.0%	64	16.0%	16.0%
51	10.0%	10.0%	65	30.0%	30.0%
52	10.5%	10.5%	66	25.0%	25.0%
53	10.5%	10.5%	67	24.0%	24.0%
54	10.5%	10.5%	68	22.0%	22.0%
55	11.0%	11.0%	69	22.0%	22.0%
56	11.0%	11.0%	70	22.0%	22.0%
57	11.0%	11.0%	71	22.0%	22.0%
58	12.0%	12.0%	72	22.0%	22.0%
59	12.0%	12.0%	73	22.0%	22.0%
60	14.0%	14.0%	74**	22.0%	22.0%
61	12.0%	12.0%			

* Deferred members are assumed to retire (100% probability) at the later of:

- a) age 60
- b) earliest retirement eligibility.

** For all eligible members ages 75 and later, retirement is assumed to occur immediately.

Table 4
Annual Rates of Termination

Years of Service	Entry Age 20		Entry Age 30		Entry Age 40		Entry Age 50	
	Male	Female	Male	Female	Male	Female	Male	Female
0	36.4%	39.5%	30.1%	32.6%	27.0%	29.2%	23.8%	25.7%
1	24.3%	26.3%	20.1%	21.7%	18.0%	19.5%	15.8%	17.2%
2	18.2%	19.7%	15.1%	16.3%	13.5%	14.6%	11.9%	12.9%
3	14.6%	15.8%	12.0%	13.1%	10.8%	11.7%	9.5%	10.3%
4	12.1%	13.2%	10.0%	10.9%	9.0%	9.7%	7.9%	8.6%
5	10.3%	11.2%	8.5%	9.2%	7.6%	8.3%	6.7%	7.3%
6	8.5%	9.2%	7.0%	7.6%	6.3%	6.8%	5.5%	6.0%
7	7.3%	7.9%	6.0%	6.5%	5.4%	5.8%	4.8%	5.2%
8	6.7%	7.2%	5.5%	6.0%	4.9%	5.4%	4.4%	4.7%
9	6.1%	6.6%	5.0%	5.4%	4.5%	4.9%	4.0%	4.3%
10	5.5%	5.9%	4.5%	4.9%	4.0%	4.3%	3.6%	3.9%
11	4.9%	5.3%	4.0%	4.4%	3.6%	3.9%	3.2%	3.4%
12	4.4%	4.7%	3.6%	3.9%	3.2%	3.5%	2.9%	3.1%
13	3.9%	4.2%	3.2%	3.5%	2.9%	3.1%	2.5%	2.8%
14	3.4%	3.7%	2.8%	3.1%	2.5%	2.7%	2.2%	2.4%
15	2.9%	3.2%	2.4%	2.6%	2.2%	2.3%	1.9%	2.1%
16	2.6%	2.8%	2.1%	2.3%	1.9%	2.1%	1.7%	1.8%
17	2.2%	2.4%	1.8%	2.0%	1.6%	1.8%	1.4%	1.5%
18	2.0%	2.1%	1.6%	1.7%	1.4%	1.6%	1.3%	1.4%
19	1.8%	2.0%	1.5%	1.6%	1.3%	1.5%	1.2%	1.3%
20	1.8%	2.0%	1.5%	1.6%	1.3%	1.5%	1.2%	1.3%
21	1.6%	1.8%	1.4%	1.5%	1.2%	1.3%	1.1%	1.2%
22	1.5%	1.6%	1.2%	1.3%	1.1%	1.2%	1.0%	1.0%
23	1.3%	1.4%	1.1%	1.1%	1.0%	1.0%	0.8%	0.9%
24	1.1%	1.2%	0.9%	1.0%	0.8%	0.9%	0.7%	0.8%
25	1.0%	1.1%	0.8%	0.9%	0.7%	0.8%	0.6%	0.7%
26	0.9%	0.9%	0.7%	0.8%	0.6%	0.7%	0.6%	0.6%
27	0.7%	0.8%	0.6%	0.7%	0.5%	0.6%	0.5%	0.5%
28	0.6%	0.7%	0.5%	0.5%	0.5%	0.5%	0.4%	0.4%
29	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%	0.3%	0.3%
30 & Later	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Withdrawals - Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to the plan are shown in Table 5. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2017

IX. PENSION PLAN - CONTINUED

Table 5
Probability of Withdrawal

Years of Service	Probability	Years of Service	Probability
0	100%	15	40%
1	100%	16	38%
2	100%	17	36%
3	100%	18	34%
4	100%	19	32%
5	100%	20	30%
6	100%	21	28%
7	100%	22	26%
8	50%	23	24%
9	49%	24	22%
10	48%	25	20%
11	47%	26	15%
12	46%	27	10%
13	44%	28*	5%
14	42%		

* Members with more than 28 years of service are not assumed to refund.

Long-Term Expected Rate of Return

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

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

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return (Expected minus Inflation) ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities - Developed Markets	MSCI World Ex USA (net)	10.00%	4.70%
International Equities - Emerging Markets	MSCI EM Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

(1) Target asset allocation adopted at the April 2017 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2017 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.

IX. PENSION PLAN - CONTINUED

Depletion of Plan Assets / GASB Discount Rate

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plans fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternative methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

SABINE COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended December 31, 2017

IX. PENSION PLAN - CONTINUED

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

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 7 972 641	\$ 7 140 619	\$ 6 441 861
Fiduciary net position	\$ 7 107 534	\$ 7 107 534	\$ 7 107 534
Net pension liability/(asset)	\$ 865 107	\$ 33 085	\$ (665 673)

Changes in Net Pension Liability

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2015	\$ 6 705 408	\$ 6 700 910	\$ 4 498
Changes for the Year:			
Service cost	280 221	-	280 221
Interest on total pension liability ⁽¹⁾	540 800	-	540 800
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(46 710)	-	(46 710)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(26 815)	(26 815)	-
Benefit payments	(312 285)	(312 285)	-
Administrative expenses	-	(5 385)	5 385
Member contributions	-	153 362	(153 362)
Net investment income	-	489 008	(489 008)
Employer contributions	-	125 756	(125 756)
Other ⁽³⁾	-	(17 017)	17 017
Balances as of December 31, 2016	\$ 7 140 619	\$ 7 107 534	\$ 33 085

(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.

SABINE COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended December 31, 2017

IX. PENSION PLAN - CONTINUED

Pension Expense/(Income)

Pension Expense/(Income)	January 1, 2016 to December 31, 2016
Service cost	\$ 576 630
Interest on total pension liability ⁽¹⁾	1 058 536
Effect of plan changes	-
Administrative expenses	9 883
Member contributions	(304 489)
Expected investment return net of investment expenses	(986 742)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains or losses	(125 129)
Recognition of assumption changes or inputs	34 511
Recognition of investment gains or losses	248 481
Other ⁽²⁾	32 134
PENSION EXPENSE/(INCOME)	\$ 543 815

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

(2) Relates to allocation of system-wide items.

Pension Expense and Deferred Inflows/Outflows

As of December 31, 2016, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/ Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 59 913	\$ 13 506
Change of assumptions	-	42 220
Net difference between projected and actual earnings	-	415 570
Contributions made subsequent to measurement date	-	127 546
	\$ 59 913	\$ 598 842

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended December 31,	
2017	\$ 151 015
2018	\$ 137 510
2019	\$ 112 760
2020	\$ 10 098
Thereafter	\$ -

Membership Information

Membership Class	
Inactive employees entitled to but not yet receiving benefits	68
Active employees	125
Currently receiving benefits	81

X. HEALTH CARE COVERAGE

During the year ended December 31, the employees of the County were covered by a health insurance plan administered by the Texas Association of Counties (the "Plan"). The County paid premiums for employee coverage under the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2017

XI. COMMITMENTS AND CONTINGENCIES

Contingencies

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

Litigation

No reportable litigation was pending against the County as of December 31, 2017.

IX. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 23, 2018, the date when the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2017

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Taxes:				
Property taxes	\$ 2 701 389	\$ 2 701 389	\$ 2 767 461	\$ 66 072
Sales taxes	305 000	305 000	323 086	18 086
Other taxes	2 500	2 500	2 848	348
TOTAL TAXES	3 008 889	3 008 889	3 093 395	84 506
Intergovernmental:				
Tax collection fees	60 850	60 850	81 418	20 568
Federal forest program	626 691	626 691	626 691	-
Salary supplements	83 789	80 076	78 883	(1 193)
Other grants	30 250	90 451	97 387	6 936
TOTAL INTERGOVERNMENTAL	801 580	858 068	884 379	26 311
Fines and Fees:				
Fees of office	199 500	270 650	230 747	(39 903)
Other fines and fees	156 450	156 450	169 836	13 386
TOTAL FINES AND FEES	355 950	427 100	400 583	(26 517)
Interest				
	36 500	36 500	42 180	5 680
Other Income:				
Miscellaneous	29 700	29 700	116 203	86 503
TOTAL OTHER INCOME	29 700	29 700	116 203	86 503
TOTAL REVENUES	4 232 619	4 360 257	4 536 740	176 483
Expenditures:				
General Administration Expenditures:				
County Judge:				
Salary	89 453	89 453	90 000	(547)
Benefits	28 715	28 630	28 602	28
Office, postage and copier	1 175	1 085	1 249	(164)
Insurance	400	400	-	400
Continuing education	2 500	2 500	1 410	1 090
Capital outlays	500	500	-	500
TOTAL COUNTY JUDGE	122 743	122 568	121 261	1 307
County Clerk:				
Salary	156 844	159 579	155 104	4 475
Benefits	62 845	62 570	60 886	1 684
Office, postage and copier	4 150	4 905	4 757	148
Maintenance	10 000	11 140	11 139	1
Insurance	500	500	490	10
Continuing education	4 000	4 000	2 774	1 226
Capital outlay	-	1 000	342	658
Election cost	18 000	11 870	8 925	2 945
Library cost	2 000	2 500	1 471	1 029
TOTAL COUNTY CLERK	258 339	258 064	245 888	12 176

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2017

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Veteran Affairs:				
Salary	16 315	16 315	14 069	2 246
Benefits	2 245	2 210	1 875	335
Car allowance and travel	500	500	-	500
Office, postage and copier	900	900	318	582
Continuing education	2 000	2 000	381	1 619
TOTAL VETERAN AFFAIRS	21 960	21 925	16 643	5 282
Courthouse:				
Salary	22 272	22 272	21 933	339
Benefits	11 955	11 955	11 294	81
Office, postage and copier	3 500	3 455	3 422	33
Utilities	35 000	35 000	34 079	921
Maintenance	40 000	21 000	20 911	89
TOTAL COURTHOUSE	112 727	93 102	91 639	1 463
Non Departmental:				
Benefits	5 000	18 003	17 352	651
Office, postage and copier	70 000	83 265	80 134	3 131
Maintenance	1 500	19 214	18 439	775
Insurance	28 000	21 500	21 498	2
Professional fees	38 000	59 816	55 814	4 002
Senior citizen assistance	15 000	15 300	15 300	-
Burke Center	9 602	9 602	9 602	-
Child safety instruction	750	750	750	-
Emergency and ambulance service	10 000	10 000	10 000	-
Mediation center	3 167	6 667	3 465	3 202
Autopsy fees	20 000	13 545	9 975	3 570
Library	15 000	15 000	15 000	-
Historical and cultural	150	150	150	-
Litter control and recycling	200	200	40	160
Record management	47 800	47 800	1 202	46 598
Law library supplies	18 500	18 500	10 903	7 597
Miscellaneous	16 000	24 500	2 285	22 215
Continuing education	-	-	280	(280)
Capital outlays	9 668	9 668	12 740	(3 072)
TOTAL NON DEPARTMENTAL	308 337	373 480	284 929	88 551
TOTAL GENERAL GOVERNMENT	824 106	869 139	760 360	108 779
Judicial Expenditures:				
County Court At Law:				
Court appointed attorney	7 000	8 526	8 526	-
Jury and court costs	6 000	4 474	1 951	4 049
TOTAL COUNTY COURT AT LAW	13 000	13 000	10 477	2 523
District Court:				
Salary	68 125	68 125	57 059	11 066
Benefits	16 245	16 032	15 123	909
Car allowance and travel	1 200	1 200	414	786
Office, postage and copier	2 500	2 500	927	1 573
Professional fees	10 000	12 443	12 442	1
Court appointed attorneys	60 000	92 948	92 948	-
Jury and court costs	12 500	14 639	13 063	1 576
TOTAL DISTRICT COURT	170 570	207 887	191 976	15 911

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2017

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
District Attorney:				
Salary	56 319	56 319	56 319	-
Benefits	24 385	23 950	23 917	33
Office, postage and copier	2 250	2 142	1 430	712
Insurance	-	18	18	-
Continuing education	2 500	2 500	931	1 569
TOTAL DISTRICT ATTORNEY	<u>85 454</u>	<u>84 929</u>	<u>82 615</u>	<u>2 314</u>
District Clerk:				
Salary	76 010	73 700	71 322	2 378
Benefits	26 935	26 875	26 128	747
Office, postage and copier	3 650	4 347	4 311	36
Maintenance	18 750	18 945	18 945	-
Insurance	300	300	187	113
Continuing education	2 500	3 828	3 828	-
Capital outlay	1 000	1 000	245	755
TOTAL DISTRICT CLERK	<u>129 145</u>	<u>128 995</u>	<u>124 966</u>	<u>4 029</u>
Justice of the Peace #1:				
Salary	67 892	67 892	68 741	(849)
Benefits	25 840	24 099	17 377	6 722
Car, allowance and travel	300	300	-	300
Office, postage and copier	1 750	1 750	1 361	389
Maintenance	100	1 000	1 000	-
Insurance	200	200	4	196
Continuing education	2 200	2 200	1 570	630
Capital outlay	1 000	1 711	1 711	-
TOTAL JUSTICE OF THE PEACE #1	<u>99 282</u>	<u>99 152</u>	<u>91 764</u>	<u>7 388</u>
Justice of the Peace #2:				
Salary	67 549	67 549	67 921	(372)
Benefits	25 795	25 755	25 700	55
Car, allowance and travel	300	-	-	-
Office, postage and copier	1 660	970	916	54
Maintenance	100	1 000	1 000	-
Insurance	200	200	4	196
Continuing education	2 000	2 000	1 936	64
Capital outlay	400	400	245	155
Jury and court costs	100	100	-	100
TOTAL JUSTICE OF THE PEACE #2	<u>98 104</u>	<u>98 104</u>	<u>97 722</u>	<u>252</u>
Courthouse Security:				
Salary	30 000	30 000	-	30 000
Capital outlay	5 500	5 500	1 796	3 704
TOTAL COURTHOUSE SECURITY	<u>35 500</u>	<u>35 500</u>	<u>1 796</u>	<u>33 704</u>
TOTAL JUDICIAL EXPENDITURES	<u>631 055</u>	<u>667 437</u>	<u>601 316</u>	<u>66 121</u>
Legal:				
County Attorney:				
Salary	103 857	103 857	104 383	(526)
Benefits	30 655	30 545	30 501	44
Office, postage and copier	1 600	1 510	1 053	457
Maintenance	4 700	4 700	4 630	70
Insurance	200	200	4	196
Continuing education	1 500	1 500	1 194	306
Capital outlay	500	500	-	500
TOTAL COUNTY ATTORNEY	<u>143 012</u>	<u>142 812</u>	<u>141 765</u>	<u>1 047</u>
TOTAL LEGAL	<u>143 012</u>	<u>142 812</u>	<u>141 765</u>	<u>1 047</u>

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2017

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Public Safety:				
Constable Precinct #1:				
Salary	24 296	6 961	6 960	1
Benefits	12 125	11 550	3 696	7 854
Fuel, oil and tires	2 800	2 800	802	1 998
Continuing education	4 063	4063	-	4 063
Insurance	200	200	50	150
Capital outlay	300	300	-	300
TOTAL CONSTABLE PRECINCT #1	<u>43 784</u>	<u>25 874</u>	<u>11 508</u>	<u>14 366</u>
Constable Precinct #2:				
Salary	26 085	-	-	-
Benefits	12 440	8 142	-	8 142
Fuel, oil and tires	3 800	-	-	-
Continuing education	3 286	3 286	-	3 286
Insurance	200	-	-	-
Capital outlay	300	-	-	-
TOTAL CONSTABLE PRECINCT #2	<u>46 111</u>	<u>11 428</u>	<u>-</u>	<u>11 428</u>
Sheriff:				
Salary	685 570	687 854	693 439	(5 585)
Benefits	257 900	232 744	238 246	(5 502)
Car, allowance and travel	17 180	17 253	12 239	5 014
Office, postage and copier	25 950	25 288	23 018	2 270
Utilities	36 000	34 400	34 356	44
Fuel, oil and tires	64 000	44 000	43 861	139
Maintenance	35 000	30 048	29 996	52
Insurance	19 550	19 144	18 103	1 041
Continuing education	2 500	4 150	1 649	2 501
Equipment leasing	15 600	16 075	16 075	-
Prisoner housing costs	164 000	233 641	243 441	(9 800)
Capital outlay	55 000	93 371	77 820	15 551
TOTAL SHERIFF	<u>1 378 250</u>	<u>1 437 968</u>	<u>1 432 243</u>	<u>5 725</u>
Probation:				
Office, postage and copier	1 100	1 100	833	267
Probation fees	13 046	13 046	13 046	-
TOTAL PROBATION	<u>14 146</u>	<u>14 146</u>	<u>13 879</u>	<u>267</u>
9-1-1:				
Salary	38 075	38 075	41 489	(3 414)
Benefits	13 590	13 560	14 141	(581)
Car, allowance and travel	3 100	1 750	1 140	610
Office, postage and copier	2 000	1 000	961	39
Continuing education	2 000	1 473	1 467	6
Other charges	21 000	23 456	23 456	-
Capital outlay	2 000	2 376	2 376	-
TOTAL 9-1-1	<u>81 765</u>	<u>81 690</u>	<u>85 030</u>	<u>(3 340)</u>
DARE Program:				
Office, postage and copier	11 124	11 124	10 006	1 118
TOTAL DARE PROGRAM	<u>11 124</u>	<u>11 124</u>	<u>10 006</u>	<u>1 118</u>

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2017

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Justice Grant:				
Salary	27 702	27 701	27 701	1
Benefits	11 450	11 449	11 449	1
Continuing education	2 095	2 095	2 095	-
Capital outlay	4 104	4 104	4 104	-
TOTAL JUSTICE GRANT	<u>45 351</u>	<u>45 351</u>	<u>45 349</u>	<u>2</u>
TOTAL PUBLIC SAFETY	<u>1 620 531</u>	<u>1 627 581</u>	<u>1 598 015</u>	<u>29 566</u>
Financial Administration:				
County Auditor:				
Salary	38 640	38 640	38 640	-
Benefits	13 590	13 560	13 536	24
Office, postage and copier	750	705	395	310
Insurance	100	100	50	50
Continuing education	2 500	2 500	1 745	755
Capital outlay	300	300	-	300
TOTAL COUNTY AUDITOR	<u>55 880</u>	<u>55 805</u>	<u>54 366</u>	<u>1 439</u>
County Treasurer:				
Salary	95 830	95 354	96 523	(1 169)
Benefits	37 935	37 895	37 784	111
Office, postage and copier	4 800	4 428	3 814	614
Insurance	700	700	250	450
Maintenance	3 200	3 200	1 944	1 256
Continuing education	3 500	3 500	2 843	657
Capital outlay	3 050	3 763	3 762	1
TOTAL COUNTY TREASURER	<u>149 015</u>	<u>148 840</u>	<u>146 920</u>	<u>1 920</u>
Tax Assessor/Collector:				
Salary	179 115	180 095	182 988	(2 893)
Benefits	74 210	74 180	73 701	479
Car, allowance and travel	100	100	11	89
Office, postage and copier	7 200	6 111	6 103	8
Insurance	1 600	272	272	-
Continuing education	6 000	7 147	7 146	1
Appraisal district payments	80 733	85 901	85 901	-
Equipment leasing	32 000	37 128	37 127	1
Other charges	4 640	2 085	2 084	1
TOTAL TAX ASSESSOR/COLLECTOR	<u>385 598</u>	<u>393 019</u>	<u>395 333</u>	<u>(2 314)</u>
TOTAL FINANCIAL ADMINISTRATION	<u>590 493</u>	<u>597 664</u>	<u>596 619</u>	<u>1 045</u>
Conservation:				
County Agent:				
Salary	20 052	14 928	5 968	8 960
Benefits	1 962	1 962	581	1 381
Car, allowance and travel	5 000	5 000	1 487	3 513
Office, postage and copier	1 650	1 650	410	1 240
TOTAL COUNTY AGENT	<u>28 664</u>	<u>23 540</u>	<u>8 446</u>	<u>15 094</u>
TOTAL CONSERVATION	<u>28 664</u>	<u>23 540</u>	<u>8 446</u>	<u>15 094</u>

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2017

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Pass-through to Other Entities:				
Federal forest payments to schools	626 691	626 691	630 579	(3 888)
TOTAL PASS-THROUGH TO OTHER ENTITIES	626 691	626 691	630 579	(3 888)
TOTAL EXPENDITURES	4 464 552	4 554 864	4 337 100	217 764
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (231 933)	 (194 607)	 199 640	 394 247
Other Financing Sources (Uses):				
Transfer in	58 000	58 000	62 800	4 800
Transfer out	-	-	(34 800)	(34 800)
TOTAL OTHER FINANCING SOURCES (USES)	58 000	58 000	28 000	(30 000)
 NET CHANGE IN FUND BALANCES	 (173 933)	 (136 607)	 227 640	 364 247
 Fund balance, beginning	 3 136 039	 3 136 039	 3 136 039	 -
 FUND BALANCE, ENDING	 \$ 2 962 106	 \$ 2 999 432	 \$ 3 363 679	 \$ 364 247

See independent auditors' report.

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE #1
For the Year Ended December 31, 2017

EXHIBIT B-2

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental:				
Lateral road fees	\$ 4 400	\$ 4 400	\$ 4 446	\$ 46
Federal forest funds	50 000	50 000	83 257	33 257
Payments in lieu of taxes	8 500	8 500	9 013	513
TOTAL INTERGOVERNMENTAL	<u>62 900</u>	<u>62 900</u>	<u>96 716</u>	<u>33 816</u>
Fines and Fees:				
License and permits	110 000	110 000	107 583	(2 417)
TOTAL FINES AND FEES	<u>110 000</u>	<u>110 000</u>	<u>107 583</u>	<u>(2 417)</u>
Interest	14 000	14 000	14 464	464
Other Income:				
Material reimbursement	2 100	2 100	3 785	1 685
Miscellaneous	6 000	6 000	7 616	1 616
TOTAL OTHER INCOME	<u>8 100</u>	<u>8 100</u>	<u>11 401</u>	<u>3 301</u>
TOTAL REVENUES	<u>195 000</u>	<u>195 000</u>	<u>230 164</u>	<u>35 164</u>
Expenditures:				
Road and Bridge:				
Salary	131 467	136 401	133 506	2 895
Benefits	56 122	56 122	48 912	7 210
Car, allowance and travel	9 600	9 600	9 600	-
Road material	96 600	91 425	66 401	25 024
Office, postage and copier	3 900	4 141	1 482	2 659
Utilities	4 000	4 000	2 272	1 728
Fuel, oil and tires	58 000	58 000	20 946	37 054
Maintenance	27 500	27 500	7 414	20 086
Insurance	6 700	6 700	5 557	1 143
Continuing education	1 500	1 500	873	627
Equipment leasing	5 000	10 000	-	10 000
Capital outlay	20 000	15 000	15 032	(32)
TOTAL EXPENDITURES	<u>420 389</u>	<u>420 389</u>	<u>311 995</u>	<u>108 394</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(225 389)</u>	<u>(225 389)</u>	<u>(81 831)</u>	<u>143 558</u>
Other Financing Sources (Uses):				
Transfers in (out)	-	-	(10 000)	(10 000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(10 000)</u>	<u>(10 000)</u>
NET CHANGE IN FUND BALANCES	(225 389)	(225 389)	(91 831)	133 558
Fund balances, beginning	1 276 805	1 276 805	1 276 805	-
FUND BALANCES, ENDING	<u>\$ 1 051 416</u>	<u>\$ 1 051 416</u>	<u>\$ 1 184 974</u>	<u>\$ 133 558</u>

See independent auditors' report.

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE #2
For the Year Ended December 31, 2017

EXHIBIT B-3

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental:				
Lateral road fees	\$ 4 600	\$ 4 600	\$ 4 632	\$ 32
Federal forest funds	50 000	50 000	86 727	36 727
Payments in lieu of taxes	9 000	9 000	9 389	389
TOTAL INTERGOVERNMENTAL	<u>63 600</u>	<u>63 600</u>	<u>100 748</u>	<u>37 148</u>
Fines and Fees:				
License and permits	112 000	112 000	112 065	65
TOTAL FINES AND FEES	<u>112 000</u>	<u>112 000</u>	<u>112 065</u>	<u>65</u>
Interest	9 500	9 500	9 792	292
Other Income:				
Material reimbursement	6 100	6 100	9 076	2 976
Miscellaneous	6 000	6 000	8 911	2 911
TOTAL OTHER INCOME	<u>12 100</u>	<u>12 100</u>	<u>17 987</u>	<u>5 887</u>
TOTAL REVENUES	<u>197 200</u>	<u>197 200</u>	<u>240 592</u>	<u>43 392</u>
Expenditures:				
Road and Bridge:				
Salary	153 056	153 056	140 839	12 217
Benefits	62 370	62 533	59 295	3 238
Car, allowance and travel	9 600	9 600	9 600	-
Road material	127 600	115 762	64 438	51 324
Office, postage and copier	2 850	3 460	2 149	1 311
Utilities	1 200	1 200	1 009	191
Fuel, oil and tires	54 250	56 248	31 740	24 508
Maintenance	29 000	38 067	25 211	12 856
Insurance	4 350	4 350	3 511	839
Continuing education	1 500	1 500	922	578
Equipment leasing	5 000	10 000	-	10 000
Capital outlay	20 000	15 000	36 611	(21 611)
TOTAL EXPENDITURES	<u>470 776</u>	<u>470 776</u>	<u>375 325</u>	<u>95 451</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(273 576)</u>	<u>(273 576)</u>	<u>(134 733)</u>	<u>138 843</u>
Other Financing Sources (Uses):				
Transfers in (out)	-	-	(10 000)	(10 000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(10 000)</u>	<u>(10 000)</u>
NET CHANGE IN FUND BALANCES	(273 576)	(273 576)	(144 733)	128 843
Fund balances, beginning	958 543	958 543	958 543	-
FUND BALANCES, ENDING	<u>\$ 684 967</u>	<u>\$ 684 967</u>	<u>\$ 813 810</u>	<u>\$ 128 843</u>

See independent auditors' report.

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE #3
For the Year Ended December 31, 2017

EXHIBIT B-4

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental:				
Lateral road fees	\$ 4 600	\$ 4 600	\$ 4 632	\$ 32
Federal forest funds	50 000	50 000	86 727	36 727
Payments in lieu of taxes	9 000	9 000	9 389	389
TOTAL INTERGOVERNMENTAL	63 600	63 600	100 748	37 148
Fines and Fees:				
License and permits	112 000	112 000	112 065	65
TOTAL FINES AND FEES	112 000	112 000	112 065	65
Interest	9 500	9 500	9 792	292
Other Income:				
Material reimbursement	1 550	1 550	554	(996)
Miscellaneous	6 000	6 000	16 041	10 041
TOTAL OTHER INCOME	7 550	7 550	16 595	9 045
TOTAL REVENUES	192 650	192 650	239 200	46 550
Expenditures:				
Road and Bridge:				
Salary	137 081	141 228	143 081	(1 853)
Benefits	55 825	50 421	38 516	11 905
Car, allowance and travel	9 600	9 600	9 600	-
Road material	153 050	153 050	88 598	64 452
Office, postage and copier	3 850	4 209	1 205	3 004
Utilities	2 000	2 000	1 434	566
Fuel, oil and tires	57 000	57 000	24 853	32 147
Maintenance	31 000	31 000	7 466	23 534
Insurance	5 250	5 250	4 135	1 115
Continuing education	2 000	2 798	2 797	1
Equipment leasing	5 000	10 000	-	10 000
Capital outlay	20 000	15 100	20 020	(4 920)
TOTAL EXPENDITURES	481 656	481 656	341 705	139 951
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(289 006)	(289 006)	(102 505)	186 501
Other Financing Sources (Uses):				
Transfers in (out)	-	-	(10 000)	(10 000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(10 000)	(10 000)
NET CHANGE IN FUND BALANCES	(289 006)	(289 006)	(112 505)	176 501
Fund balances, beginning	767 785	767 785	767 785	-
FUND BALANCES, ENDING	\$ 478 779	\$ 478 779	\$ 655 280	\$ 176 501

See independent auditors' report.

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE #4
For the Year Ended December 31, 2017

EXHIBIT B-5

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental:				
Lateral road fees	\$ 4 800	\$ 4 800	\$ 4 817	\$ 17
Federal forest funds	50 000	50 000	90 196	40 196
Payments in lieu of taxes	9 400	9 400	9 765	365
TOTAL INTERGOVERNMENTAL	64 200	64 200	104 778	40 578
Fines and Fees:				
License and permits	115 000	115 000	116 548	1 548
TOTAL FINES AND FEES	115 000	115 000	116 548	1 548
Interest				
	12 000	12 000	12 555	555
Other Income:				
Material reimbursement	2 100	2 100	3 389	1 289
Miscellaneous	6 000	6 000	33 334	27 334
TOTAL OTHER INCOME	8 100	8 100	36 723	28 623
TOTAL REVENUES	199 300	199 300	270 604	71 304
Expenditures:				
Road and Bridge:				
Salary	155 729	131 119	126 583	4 536
Benefits	63 740	63 720	48 637	15 083
Car, allowance and travel	9 600	9 600	9 600	-
Road material	160 600	187 414	171 814	15 600
Office, postage and copier	3 450	3 494	1 639	1 855
Utilities	2 100	2 100	1 590	510
Fuel, oil and tires	43 350	33 350	24 276	9 074
Maintenance	19 500	33 336	25 542	7 794
Insurance	5 350	5 350	4 271	1 079
Continuing education	1 500	1 500	255	1 245
Equipment leasing	5 000	10 000	-	10 000
Capital outlay	20 000	15 000	23 955	(8 955)
TOTAL EXPENDITURES	489 919	495 983	438 162	57 821
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(290 619)	(296 683)	(167 558)	129 125
Other Financing Sources (Uses):				
Transfers in (out)	-	-	(10 000)	(10 000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(10 000)	(10 000)
NET CHANGE IN FUND BALANCES	(290 619)	(296 683)	(177 558)	119 125
Fund balances, beginning				
	1 050 266	1 050 266	1 050 266	-
FUND BALANCES, ENDING	\$ 759 647	\$ 753 583	\$ 872 708	\$ 119 125

See independent auditors' report.

SABINE COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

EXHIBIT B-6

	2016	2015	2014
Total Pension Liability:			
Service cost	\$ 280 221	\$ 244 579	\$ 239 179
Interest (on the total pension liability)	540 800	506 759	465 552
Effect of plan changes	-	(35 116)	-
Effect of assumption changes or inputs	-	(49 759)	54 021
Effect of economic/demographic (gains) or losses	(46 710)	84 442	-
Benefit payments/refunds of contributions	(339 100)	(309 345)	(245 616)
NET CHANGE IN TOTAL PENSION LIABILITY	435 211	441 560	513 136
Total pension liability - Beginning	6 705 408	6 263 848	5 750 712
TOTAL PENSION LIABILITY - ENDING	7 140 619	6 705 408	6 263 848
 Fiduciary Net Position:			
Contributions - Employer	125 756	119 460	109 848
Contributions - Member	153 362	149 860	138 797
Investment income net of investment expenses	489 008	(20 944)	436 792
Benefit payments/refunds of contributions	(312 286)	(309 344)	(245 617)
Administrative expenses	(5 385)	(4 839)	(5 038)
Other	(43 831)	10 013	(3 831)
NET CHANGE IN PLAN FIDUCIARY			
NET POSITION	406 624	(55 794)	430 951
Plan fiduciary net position - Beginning	6 700 910	6 756 704	6 325 753
PLAN FIDUCIARY NET POSITION - ENDING	7 107 534	6 700 910	6 756 704
 NET PENSION LIABILITY - ENDING	\$ 33 085	\$ 4 498	\$ (492 856)
 Plan fiduciary net position as a percentage of total pension liability	99.54%	99.93%	(7.87)%
Covered employee payroll	\$ 2 190 879	\$ 2 140 860	\$ 1 982 820
Net pension liability as a percentage of covered employee payroll	1.51%	0.21%	(24.86)%

Additional years will be provided as they become available.

See independent auditors' report.

SABINE COUNTY, TEXAS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

EXHIBIT B-7

YEAR ENDING DECEMBER 31,	ACTUARIALLY DETERMINED CONTRIBUTION	ACTUAL EMPLOYER CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	PENSIONABLE COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2015	\$ 119 460	\$ 119 460	\$ -	\$ 2 140 860	5.6%
2016	\$ 125 756	\$ 125 756	\$ -	\$ 2 190 879	5.7%
2017	\$ 126 784	\$ 126 784	\$ -	\$ 2 181 321	5.8%

Additional years will be provided as they become available.

See independent auditors' report.

SABINE COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2017

Budgetary Procedures

Annual budgets are adopted for the general fund and the four road and bridge funds on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at year end. During the seventh month of the fiscal year, the County Judge prepares a budget to cover all proposed expenditures of the County government for the succeeding fiscal year. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. In preparing the budget, the Judge may require any County officer to furnish information necessary for the Judge to properly prepare the budget.

The Commissioners' Court shall hold a public hearing on the proposed budget. At the conclusion of the public hearing, the Commissioners' Court shall take action on the proposed budget.

After final approval of the budget, the Commissioners' Court may spend County funds only in strict compliance with the budget, except in an emergency. The Commissioners' Court may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention. If the Court amends the original budget to meet an emergency, the Court shall file a copy of its order amending the budget with the County Clerk, and the Clerk shall attach the copy to the original budget. Management may not amend the budget without approval from the Commissioners' Court.

Expenditures may not legally exceed budgeted appropriations at the activity or department level. The budget is amended only by approval of the Commissioners' Court. Proposed amendments are presented to the Commissioners' Court in a public meeting, and each amendment must have Commissioners' Court approval. As required by law, such amendments are made before the fact, and are reflected in the minutes of the Commissioners' Court meetings. During the year, the budget was amended as necessary.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are canceled, consequently there are none as of December 31, 2017.

COMBINING STATEMENTS
AS SUPPLEMENTARY INFORMATION

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

SABINE COUNTY, TEXAS
 COMBINING SCHEDULE OF NET ASSETS -
 SPECIAL REVENUE FUNDS
 December 31, 2017

	APPELLATE JUDICIAL SYSTEM FUND	DISTRICT CLERK RECORD ARCHIVE FEE FUND	CONVENTION CENTER BUILDING	RECORD RETENTION FUND
ASSETS				
Cash and investments	\$ 14	\$ 5 224	\$ 73 399	\$ 91 049
Other receivables	-	-	-	-
Due from other funds	40	90	-	1 740
TOTAL ASSETS	\$ 54	\$ 5 314	\$ 73 399	\$ 92 789
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 40	\$ -	\$ -	\$ -
TOTAL LIABILITIES	40	-	-	-
Fund Balances:				
Restricted Fund Balance:				
Road and bridge maintenance	-	-	-	-
Hotel/motel tax	-	-	-	-
Federal and state grants	-	-	-	-
Construction	-	-	73 399	-
Record retention	-	5 314	-	92 789
Unassigned	14	-	-	-
TOTAL FUND BALANCES	14	5 314	73 399	92 789
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 54	 \$ 5 314	 \$ 73 399	 \$ 92 789

See independent auditors' report.

EXHIBIT C-1

HOTEL/ MOTEL TAX FUND	DISTRICT CLERK SPECIAL FUND	FOREST SERVICE FUND	COUNTY CLERK ARCHIVE FUND	ROAD & BRIDGE SPECIAL FUND	CDBG #7214390 FIRST TIME WATER SERVICE GRANT	TOTAL SPECIAL REVENUE FUNDS
\$ 53 924	\$ 5 636	\$ 98 240	\$ 25 628	\$ 2 106	\$ -	\$ 355 220
10 287	-	-	-	-	-	10 287
-	153	-	1 705	541	-	4 269
<u>\$ 64 211</u>	<u>\$ 5 789</u>	<u>\$ 98 240</u>	<u>\$ 27 333</u>	<u>\$ 2 647</u>	<u>\$ -</u>	<u>\$ 369 776</u>
\$ -	\$ -	\$ 606	\$ -	\$ -	\$ -	\$ 646
-	-	606	-	-	-	646
-	-	-	-	2 647	-	2 647
64 211	-	-	-	-	-	64 211
-	-	97 634	-	-	-	97 634
-	-	-	-	-	-	73 399
-	5 789	-	27 333	-	-	131 225
-	-	-	-	-	-	14
<u>64 211</u>	<u>5 789</u>	<u>97 634</u>	<u>27 333</u>	<u>2 647</u>	<u>-</u>	<u>369 130</u>
<u>\$ 64 211</u>	<u>\$ 5 789</u>	<u>\$ 98 240</u>	<u>\$ 27 333</u>	<u>\$ 2 647</u>	<u>\$ -</u>	<u>\$ 369 776</u>

SABINE COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
 For the Year Ended December 31, 2017

	APPELLATE JUDICIAL SYSTEM FUND	DISTRICT CLERK RECORD ARCHIVE FEE FUND	CONVENTION CENTER BUILDING	RECORD RETENTION FUND
Revenues:				
Fines and fees	\$ 995	\$ 1 567	\$ -	\$ 24 077
Other taxes	-	-	-	-
Intergovernmental	-	-	-	-
Interest	2	55	766	1 496
TOTAL REVENUES	997	1 622	766	25 573
Expenditures:				
General government	-	-	-	48 719
Judicial	995	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
TOTAL EXPENDITURES	995	-	-	48 719
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	2	1 622	766	(23 146)
Other Financing Sources (Uses):				
Transfers out	-	-	-	-
Transfers in	-	-	20 000	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	20 000	-
NET CHANGE IN FUND BALANCES	2	1 622	20 766	(23 146)
Fund balances, beginning	12	3 692	52 633	115 935
FUND BALANCES, ENDING	\$ 14	\$ 5 314	\$ 73 399	\$ 92 789

See independent auditors' report.

EXHIBIT C-2

HOTEL/ MOTEL TAX FUND	DISTRICT CLERK SPECIAL FUND	FOREST SERVICE FUND	COUNTY CLERK ARCHIVE FUND	ROAD & BRIDGE SPECIAL FUND	CDBG #7214390 FIRST TIME WATER SERVICE GRANT	TOTAL SPECIAL REVENUE FUNDS
\$ -	\$ 2 310	\$ -	\$ 24 020	\$ 4 120	\$ -	\$ 57 089
79 344	-	-	-	-	-	79 344
-	-	-	-	-	3 355	3 355
771	56	-	334	-	-	3 480
<u>80 115</u>	<u>2 366</u>	<u>-</u>	<u>24 354</u>	<u>4 120</u>	<u>3 355</u>	<u>143 268</u>
69 048	-	-	-	-	-	117 767
-	-	-	-	-	-	995
-	-	1 631	-	-	-	1 631
-	-	-	-	43 948	3 355	47 303
<u>69 048</u>	<u>-</u>	<u>1 631</u>	<u>-</u>	<u>43 948</u>	<u>3 355</u>	<u>167 696</u>
11 067	2 366	(1 631)	24 354	(39 828)	-	(24 428)
(20 000)	-	-	(28 000)	-	-	(48 000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40 000</u>	<u>-</u>	<u>60 000</u>
<u>(20 000)</u>	<u>-</u>	<u>-</u>	<u>(28 000)</u>	<u>40 000</u>	<u>-</u>	<u>12 000</u>
(8 933)	2 366	(1 631)	(3 646)	172	-	(12 428)
<u>73 144</u>	<u>3 423</u>	<u>99 265</u>	<u>30 979</u>	<u>2 475</u>	<u>-</u>	<u>381 558</u>
<u>\$ 64 211</u>	<u>\$ 5 789</u>	<u>\$ 97 634</u>	<u>\$ 27 333</u>	<u>\$ 2 647</u>	<u>\$ -</u>	<u>\$ 369 130</u>

SABINE COUNTY, TEXAS
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 December 31, 2017

	TAX ASSESSOR- COLLECTOR FUND	COUNTY CLERK	DISTRICT CLERK
ASSETS			
Restricted cash	\$ 523 403	\$ 28 031	\$ 513 124
TOTAL ASSETS	\$ 523 403	\$ 28 031	\$ 513 124
LIABILITIES			
Due to County	\$ 306 051	\$ -	\$ -
Due to others	217 352	28 031	513 124
TOTAL LIABILITIES	\$ 523 403	\$ 28 031	\$ 513 124

See independent auditors' report.

COUNTY SHERIFF	COUNTY ATTORNEY	TREASURER FEE ACCOUNT	OTHER	COMBINED FIDUCIARY FUNDS
\$ 23 293	\$ 14 560	\$ 31 453	\$ 685	\$ 1 134 549
<u>\$ 23 293</u>	<u>\$ 14 560</u>	<u>\$ 31 453</u>	<u>\$ 685</u>	<u>\$ 1 134 549</u>
\$ 13 831	\$ 8 190	\$ -	\$ -	\$ 328 072
9 462	6 370	31 453	685	806 477
<u>\$ 23 293</u>	<u>\$ 14 560</u>	<u>\$ 31 453</u>	<u>\$ 685</u>	<u>\$ 1 134 549</u>

COMPLIANCE AUDIT SECTION

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Daryl Melton, County Judge
And the Members of the Commissioners' Court
Sabine County, Texas
Hemphill, 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 Sabine County, Texas, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Sabine County, Texas' basic financial statements, and have issued our report thereon dated July 23, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Lufkin, Texas
July 23, 2018


CERTIFIED PUBLIC ACCOUNTANTS