

SABINE COUNTY, TEXAS
Hemphill, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, 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, budgetary comparison information, and supplemental pension schedules 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 and schedule of expenditures of federal awards as required by Uniform Guidance 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 schedule of expenditures of federal awards as required by Uniform Guidance 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 schedule of expenditures of federal awards as required by Uniform Guidance 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 22, 2019, 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 22, 2019


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

FINANCIAL HIGHLIGHTS

- The County's total combined net position was \$11,106,908 at December 31, an increase of \$413,758 for activities from the prior year.
- Total government-wide revenues for the current year were \$6,830,800 compared to \$5,695,200 in the prior year, an increase of \$1,135,600 or 2.0%.
- During the current year, the County's expenses were \$3,186,792 more than the \$3,154,534 generated in charges for services and operating grants and contributions.
- The general fund reported an unassigned fund balance this year of \$3,510,281.

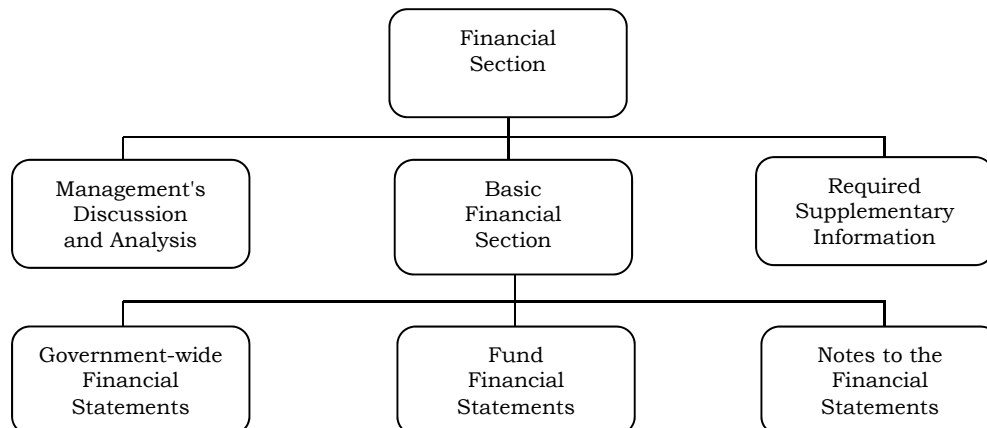
OVERVIEW OF THE FINANCIAL STATEMENTS

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 \$11,106,908. The following table provides a summary of the County's net position:

	DECEMBER 31,		AMOUNT OF CHANGE	% CHANGE
	2018	2017		
Current and other assets	\$ 9 912 490	\$ 8 455 407	\$ 1 457 083	17.2
Capital assets	1 897 509	1 933 713	(36 204)	(1.9)
TOTAL ASSETS	11 809 999	10 389 120	1 420 879	13.7
Deferred outflows related to pension	530 404	598 842	(68 438)	11.4
Current liabilities	826 042	201 814	(624 228)	318.2
Long-term liabilities	-	33 085	(33 085)	100.0
TOTAL LIABILITIES	826 042	234 899	591 143	251.6
Deferred outflows related to pension	407 453	-	407 453	100.0
Net Position:				
Invested in capital assets	1 897 509	1 933 713	(36 204)	(1.9)
Restricted	4 151 642	3 895 888	255 754	6.6
Unrestricted	5 057 757	4 863 549	194 198	4.0
TOTAL NET POSITION	\$ 11 106 908	\$ 10 693 150	\$ 413 758	3.9

Net position of the County's governmental activities increased by \$413,758 during the year ending December 31, 2018, up 3.9% 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 totaled \$5,057,757 at year end, an increase of 4.0%.

Governmental Activities

- The cost of all *governmental* activities this year was \$6,341,326.
- The amount that our taxpayers paid for these activities through property taxes was \$2,928,578.
- Some of the cost was paid by those who directly benefited from service fees and charges \$917,829 and from operating and capital grants and contributions \$2,236,705.

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

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

	DECEMBER 31,		AMOUNT OF CHANGE	%
	2018	2017		
Program Revenues:				
Charges for services	\$ 917 829	\$ 987 351	\$ (69 522)	(7.0)
Operating grants/contributions	1 175 892	710 049	465 843	65.6
Capital grants/contributions	1 060 813	-	1 060 813	100.0
General Revenues:				
Property taxes	2 928 578	2 802 093	126 485	4.5
Other taxes	474 096	405 278	68 818	17.0
Interest income	106 508	92 263	14 245	15.4
Other income	167 084	698 166	(531 082)	(76.0)
TOTAL REVENUES/ CONTRIBUTIONS	6 830 800	5 695 200	1 135 600	20.0
Expenses:				
General government	916 238	965 640	(49 402)	(5.2)
Judicial	667 836	661 250	6 586	1.0
Legal	153 317	155 827	(2 510)	(1.6)
Public Safety	1 728 881	1 725 897	2 984	0.2
Highways and streets	1 285 397	1 525 228	(239 831)	(15.7)
Financial administration	683 774	655 756	28 018	4.3
Conservation	18 359	9 293	9 066	97.6
Pass-through to other entities	887 524	630 579	256 945	40.7
TOTAL EXPENSES	6 341 326	6 329 470	11 856	0.2
REVENUES OVER (UNDER) EXPENSES	489 474	(634 270)	1 123 744	177.2
Beginning net position	10 693 150	11 327 420	(634 270)	(5.6)
Prior period adjustment	(75 716)	-	(75 716)	(100.0)
ENDING NET POSITION	\$ 11 106 908	\$ 10 693 150	\$ 489 474	4.6

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	%
	2018	2017		
General Fund	\$ 3 585 997	\$ 3 363 679	\$ 222 318	6.6
Road and Bridge Funds	3 814 212	3 526 772	287 440	8.2
Special Revenue Funds	337 501	369 130	(31 629)	(8.6)
TOTAL FUND BALANCE	\$ 7 737 710	\$ 7 259 581	\$ 478 129	6.6

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 \$110,930 above final budget amounts. There were no significant variances from the County's final budget as compared to the actual expenditures, as departments stayed very closely within the budgeted amounts.

Actual revenues were \$164,635 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 \$298,565, when the final budget called for a \$531 decrease in fund balance.

CAPITAL ASSETS ADMINISTRATION

Capital Assets

At December 31, the County had invested \$10,829,282 in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net increase (including additions and deductions) of \$237,491 over last year.

	<u>DECEMBER 31,</u>		<u>AMOUNT</u>	<u>%</u>
	<u>2018</u>	<u>2017</u>	<u>OF</u>	<u>CHANGE</u>
			<u>CHANGE</u>	<u>CHANGE</u>
Land	\$ 120 714	\$ 120 714	\$ -	-
Buildings and improvements	1 216 026	1 216 026	-	-
Equipment and vehicles	4 325 921	4 237 367	88 554	2.1
Roads and bridges	5 166 621	5 017 684	148 937	2.9
TOTAL CAPITAL ASSETS	<u>\$ 10 829 282</u>	<u>\$ 10 591 791</u>	<u>\$ 237 491</u>	2.2

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2019 budget preparation is estimated to be approximately \$909,454,779 which is an increase of approximately 33% from the 2018 appraised values of \$683,787,008.
- Proposed tax rate for 2019 budget is \$0.350165 per \$100 valuation.

These indicators were taken into account when adopting the general fund budget for 2019. Expenditures in the general fund 2019 budget are \$4,228,576 a decrease of \$487,731 or 9% from the 2018 actual expenditures of \$4,716,307. The County has added no major new programs or initiatives to the 2019 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, 2018

EXHIBIT A-1

GOVERNMENTAL
ACTIVITIES

ASSETS		<u>GOVERNMENTAL ACTIVITIES</u>
Current Assets:		
Cash and investments	\$	7 013 543
Restricted cash		161 306
Receivables Net of Allowance for Uncollectibles:		
Taxes		1 036 012
Due from state		586 368
Due from other funds		343 302
Other		433 327
Pension asset		338 632
TOTAL CURRENT ASSETS		<u>9 912 490</u>
Noncurrent Assets:		
Capital Assets:		
Land		120 714
Streets and infrastructure		1 097 654
Buildings and improvements		291 294
Vehicles		111 018
Machinery and equipment		276 829
TOTAL CAPITAL ASSETS		<u>1 897 509</u>
TOTAL ASSETS		<u>11 809 999</u>
DEFERRED OUTFLOW		
Contribution subsequent to measurement date		167 717
Pension deferred outflows		362 687
TOTAL DEFERRED OUTFLOW		<u>530 404</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$	<u>12 340 403</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$	629 314
Due to state		85 079
Accrued liabilities		111 649
TOTAL CURRENT LIABILITIES		<u>826 042</u>
TOTAL LIABILITIES		<u>826 042</u>
Deferred pension inflows		<u>407 453</u>
NET POSITION		
Net investment in capital assets		1 897 509
Restricted		4 151 642
Unrestricted		5 057 757
TOTAL NET POSITION	\$	<u>11 106 908</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, 2018

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	\$ 916 238	\$ 189 161	\$ 122 232	\$ -	\$ (604 845)
Judicial	667 836	258 772	79 558	-	(329 506)
Legal	153 317	-	-	-	(153 317)
Public safety	1 728 881	-	86 578	-	(1 642 303)
Highways and bridges	1 285 397	469 896	-	1 060 813	245 312
Financial administration	683 774	-	-	-	(683 774)
Conservation	18 359	-	-	-	(18 359)
Pass through to other entities	887 524	-	887 524	-	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6 341 326	\$ 917 829	\$ 1 175 892	\$ 1 060 813	(3 186 792)
General Revenues:					
Taxes:					
Property taxes					2 928 578
Other tax revenue					474 096
Unrestricted investment earnings					106 508
Other unrestricted revenue					167 084
TOTAL GENERAL REVENUES					3 676 266
CHANGE IN NET POSITION					489 474
Net position, beginning					10 693 150
Prior period adjustment					(75 716)
Net position, beginning (restated)					10 617 434
NET POSITION, ENDING					\$ 11 106 908

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

SABINE COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2018

	GENERAL	ROAD & BRIDGE 1	ROAD & BRIDGE 2
ASSETS			
Cash and investments	\$ 3 263 755	\$ 1 175 123	\$ 814 076
Restricted cash	161 306	-	-
Taxes receivable	1 036 012	-	-
Other receivables	990	71 874	71 018
Due from state	586 368	-	-
Due from other funds	339 351	-	-
TOTAL ASSETS	\$ 5 387 782	\$ 1 246 997	\$ 885 094
LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 626 204	\$ 29	\$ 139
Due to state	85 079	-	-
Due to other funds	-	135	136
Accrued liabilities	80 396	16 626	7 196
TOTAL LIABILITIES	791 679	16 790	7 471
Deferred Inflows:			
Unearned revenues	1 010 106	-	-
TOTAL DEFERRED INFLOWS	1 010 106	-	-
Fund Balances:			
Restricted Fund Balance:			
Road and bridge maintenance	-	1 230 207	877 623
Hotel/motel tax usage	-	-	-
Federal and state grants	-	-	-
Construction	-	-	-
Record retention	-	-	-
Unrestricted Reported in:			
Unassigned	3 585 997	-	-
TOTAL FUND BALANCES	3 585 997	1 230 207	877 623
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	\$ 5 387 782	\$ 1 246 997	\$ 885 094

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>
\$	577 499	\$ 858 070	\$ 325 020	\$ 7 013 543
	-	-	-	161 306
	-	-	-	1 036 012
	206 283	73 860	141 577	565 602
	-	-	-	586 368
	-	-	4 492	343 843
\$	<u>783 782</u>	<u>\$ 931 930</u>	<u>\$ 471 089</u>	<u>\$ 9 706 674</u>

\$	1 444	\$ 185	\$ 133 588	\$ 761 589
	-	-	-	85 079
	174	96	-	541
	<u>5 868</u>	<u>1 563</u>	<u>-</u>	<u>111 649</u>
	<u>7 486</u>	<u>1 844</u>	<u>133 588</u>	<u>958 858</u>

	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 010 106</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 010 106</u>
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	776 296	930 086	15 212	3 829 424
	-	-	95 722	95 722
	-	-	37 482	37 482
	-	-	74 329	74 329
	-	-	114 685	114 685
	-	-	71	3 586 068
	<u>776 296</u>	<u>930 086</u>	<u>337 501</u>	<u>7 737 710</u>

\$	<u>783 782</u>	<u>\$ 931 930</u>	<u>\$ 471 089</u>	<u>\$ 9 706 674</u>
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SABINE COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2018

EXHIBIT A-4

Total fund balances - Governmental funds balance sheet	\$	7 737 710
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.		1 897 509
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		1 010 106
Recognition of the County's proportionate share of the net pension asset is not reported in the funds.		338 632
Deferred resource outflows and inflows related to the pension are not reported in the funds.		122 951
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	\$	11 106 908

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

SABINE COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2018

	GENERAL	ROAD & BRIDGE 1	ROAD & BRIDGE 2
Revenues:			
Property taxes	\$ 2 912 484	\$ -	\$ -
Other taxes	400 741	-	-
Fines and fees	392 896	108 336	112 850
Interest	49 530	17 422	12 034
Intergovernmental	1 175 892	217 297	265 675
Miscellaneous	103 175	14 966	21 198
TOTAL REVENUES	5 034 718	358 021	411 757
Expenditures:			
General administration	774 363	-	-
Judicial	630 583	-	-
Legal	144 970	-	-
Public safety	1 658 336	-	-
Highways and streets	-	307 788	342 944
Financial administration	646 548	-	-
Conservation	17 360	-	-
Pass through to other entities	887 524	-	-
TOTAL EXPENDITURES	4 759 684	307 788	342 944
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	275 034	50 233	68 813
Other Financing Sources (Uses):			
Transfers in (out)	23 000	(5 000)	(5 000)
TOTAL OTHER FINANCING SOURCES (USES)	23 000	(5 000)	(5 000)
NET CHANGE IN FUND BALANCES	298 034	45 233	63 813
Fund balance, beginning	3 363 679	1 184 974	813 810
Prior period adjustment	(75 716)	-	-
Fund balance, beginning, (restated)	3 287 963	1 184 974	813 810
FUND BALANCE, ENDING	\$ 3 585 997	\$ 1 230 207	\$ 877 623

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

	ROAD & BRIDGE 3	ROAD & BRIDGE 4	NON MAJOR GOVERNMENTAL	TOTAL
\$	-	\$ -	\$ -	\$ 2 912 484
	-	-	73 355	474 096
	112 850	117 364	55 037	899 333
	12 034	12 034	3 454	106 508
	322 354	273 983	148 937	2 404 138
	11 804	15 941	-	167 084
	<u>459 042</u>	<u>419 322</u>	<u>280 783</u>	<u>6 963 643</u>
	-	-	91 933	866 356
	-	-	895	631 478
	-	-	-	144 970
	-	-	60 152	1 718 488
	333 026	356 944	156 372	1 497 074
	-	-	-	646 548
	-	-	-	17 360
	-	-	-	887 524
	<u>333 026</u>	<u>356 944</u>	<u>309 412</u>	<u>6 409 798</u>
	<u>126 016</u>	<u>62 378</u>	<u>(28 629)</u>	<u>553 845</u>
	<u>(5 000)</u>	<u>(5 000)</u>	<u>(3 000)</u>	<u>-</u>
	<u>(5 000)</u>	<u>(5 000)</u>	<u>(3 000)</u>	<u>-</u>
	121 016	57 378	(31 629)	553 845
	655 280	872 708	369 130	7 259 581
	-	-	-	(75 716)
	<u>655 280</u>	<u>872 708</u>	<u>369 130</u>	<u>7 183 865</u>
\$	<u>776 296</u>	<u>\$ 930 086</u>	<u>\$ 337 501</u>	<u>\$ 7 737 710</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, 2018

EXHIBIT A-6

Net change in fund balances - Total governmental funds.	\$ 553 845
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
Capital outlays are not reported as expenses in the SOA.	237 491
The depreciation of capital assets used in governmental activities is not reported in the funds.	(273 695)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	16 094
Pension contributions made after the measurement date, but in current FY were de-expended and reduced NP.	167 717
Pension expense relating to GASB 68 is recorded in the SOA, but not in the funds.	<u>(211 978)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	<u>\$ 489 474</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, 2018

EXHIBIT A-7

	<u>AGENCY FUNDS</u>
ASSETS	
Restricted Assets:	
Cash and cash equivalents	\$ <u>1 284 336</u>
TOTAL ASSETS	\$ <u><u>1 284 336</u></u>
LIABILITIES	
Due to County	\$ 31 177
Due to other beneficiaries	<u>1 253 159</u>
TOTAL LIABILITIES	\$ <u><u>1 284 336</u></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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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 generally accepted accounting principles requires the use of management's estimates.

Pension

The County reports a liability/asset 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, 2018

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/NM Departmental	\$ 5 785
General/County Court at Law	\$ 5 916
General/District Attorney	\$ 16 098
General/Courthouse Security	\$ 80
General/Dare Program	\$ 4 930
General/Drug Investigator Grant	\$ 1

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, 2018

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 \$8,459,185 and the bank balance was \$8,669,283. 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	\$ 820 744
Certificates of deposit - Road & Bridge 2	< 1 year	426 007
Certificates of deposit - Road & Bridge 3	< 1 year	426 007
Certificates of deposit - Road & Bridge 4	< 1 year	426 007
LOGIC Investment Pool	N/A	1 009 234
TOTAL INVESTMENTS		\$ <u>3 107 999</u>

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2018

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, 2018

IV. CAPITAL ASSETS

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

	BALANCE 12/31/2017	ADDITIONS	DELETIONS	BALANCE 2018
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 120 714	\$ -	\$ -	\$ 120 714
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	120 714	-	-	120 714
Capital Assets Being Depreciated:				
Buildings and improvement	1 216 026	-	-	1 216 026
Equipment	3 389 354	22 594	-	3 411 948
Vehicles	848 013	65 960	-	913 973
Infrastructure	5 017 684	148 937	-	5 166 621
TOTAL CAPITAL ASSETS BEING DEPRECIATED	10 471 077	237 491	-	10 708 568
Less Accumulated Depreciation For:				
Buildings and improvement	(891 837)	(32 895)	-	(924 732)
Equipment	(3 042 498)	(92 623)	-	(3 135 121)
Vehicles	(767 792)	(35 162)	-	(802 954)
Infrastructure	(3 955 951)	(113 015)	-	(4 068 966)
TOTAL ACCUMULATED DEPRECIATION	(8 658 078)	(273 695)	-	(8 931 773)
TOTAL NET CAPITAL ASSETS BEING DEPRECIATED	1 812 999	(36 204)	-	1 776 795
NET GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	\$ 1 933 713	\$ (36 204)	\$ -	\$ 1 897 509

Depreciation was charged to functions as follows:

General government	\$ 42 938
Judicial	31 297
Legal	7 185
Public safety	85 172
Highways and streets	74 198
Financial	32 044
Conservation	860
	\$ 273 695

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	\$ 339 351	Pending transfer of fees
Agency Funds	Special Revenue Fund	3 951	Pending transfer of fees
R&B Fund #1	Special Revenue Fund	135	Pending transfer between funds
R&B Fund #2	Special Revenue Fund	136	Pending transfer between funds
R&B Fund #3	Special Revenue Fund	174	Pending transfer between funds
R&B Fund #4	Special Revenue Fund	96	Pending transfer between funds
		\$ 343 843	

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, 2018

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:

Transfers From	Transfers To	Amount	Reason
R&B Fund #1	R&B Special Fund	\$ 5 000	Debt service payment
R&B Fund #2	R&B Special Fund	5 000	Debt service payment
R&B Fund #3	R&B Special Fund	5 000	Debt service payment
R&B Fund #4	R&B Special Fund	5 000	Debt service payment
County Clerk Archive Fund	General Fund	23 000	Reimburse fees
		<u>\$ 43 000</u>	

VI. 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:

YEAR ENDING DECEMBER 31,	
2019	\$ 37 348
TOTAL MINIMUM RENTALS	<u>\$ 37 348</u>
RENTAL EXPENDITURES IN 2018	<u>\$ 37 138</u>

VII. 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.

VIII. 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 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.

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, 2018

VIII. PENSION PLAN

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	2.75%
Salary Increases	Varies by age and service, 4.9% average over career including inflation
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	See Table 3
Turnover	See Table 4
Mortality	See Table 2

(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, 2016 actuarial valuation analysis for Sabine County. This information may also be found in the Sabine County December 31, 2017 Summary Valuation Report.

Economic Assumptions:

TCDRS System-Wide Economic Assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

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, 2018

VII. 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 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. (See Table 1 for Merit Salary Increases.)

Employer-Specific Economic Assumptions:

Growth in membership	0.00%
Payroll growth	3.25%

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	5.00%	4.50%	4.00%	3.50%
1	4.25%	3.75%	3.25%	2.75%
2	3.85%	3.35%	2.85%	2.35%
3	3.50%	3.00%	2.50%	2.00%
4	3.15%	2.65%	2.25%	1.85%
5	2.90%	2.55%	2.15%	1.70%
6	2.65%	2.30%	1.95%	1.55%
7	2.45%	2.10%	1.75%	1.40%
8	2.30%	1.95%	1.60%	1.25%
9	2.15%	1.80%	1.45%	1.10%
10	2.00%	1.70%	1.40%	1.05%
11	1.90%	1.60%	1.25%	1.00%
12	1.80%	1.50%	1.15%	0.95%
13	1.70%	1.40%	1.05%	0.90%
14	1.60%	1.30%	0.95%	0.85%
15	1.50%	1.23%	0.90%	0.80%
16	1.40%	1.15%	0.85%	0.75%
17	1.30%	1.05%	0.80%	0.70%
18	1.23%	0.97%	0.75%	0.65%
19	1.15%	0.90%	0.70%	0.60%
20	1.10%	0.85%	0.65%	0.55%
21	1.05%	0.80%	0.60%	0.50%
22	1.00%	0.75%	0.55%	0.50%
23	0.95%	0.70%	0.50%	0.50%
24	0.90%	0.65%	0.50%	0.50%
25	0.85%	0.60%	0.50%	0.50%
26	0.80%	0.60%	0.50%	0.50%
27	0.75%	0.60%	0.50%	0.50%
28	0.70%	0.60%	0.50%	0.50%
29	0.65%	0.60%	0.50%	0.50%
30 & Up	0.60%	0.60%	0.50%	0.50%

* These rates do not include the wage inflation rate of 3.25% 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 8.41% total annual increase in his salary. The 8.41% is a combination of the 5.00% merit increase and the 3.25% 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, 2018

VII. 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	0.004%	0.058%
25	0.000%	0.000%	44	0.004%	0.063%
26	0.000%	0.000%	45	0.004%	0.069%
27	0.000%	0.000%	46	0.005%	0.076%
28	0.000%	0.008%	47	0.006%	0.084%
29	0.000%	0.008%	48	0.007%	0.095%
30	0.000%	0.009%	49	0.009%	0.109%
31	0.000%	0.010%	50	0.010%	0.125%
32	0.000%	0.010%	51	0.012%	0.142%
33	0.000%	0.011%	52	0.013%	0.162%
34	0.000%	0.014%	53	0.015%	0.183%
35	0.001%	0.018%	54	0.018%	0.203%
36	0.001%	0.022%	55	0.018%	0.222%
37	0.002%	0.028%	56	0.018%	0.238%
38	0.002%	0.033%	57	0.018%	0.250%
39	0.002%	0.038%	58	0.018%	0.259%
40	0.002%	0.042%	59	0.018%	0.270%
41	0.003%	0.047%	60 & Above	0.018%	0.000%
42	0.003%	0.053%			

* 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	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, projected with 110% of the MP-14 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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, 2018

VII. PENSION PLAN - CONTINUED

Table 3
Annual Rates of Service Retirement*

Age	Male	Female	Age	Male	Female
40-44	4.5%	4.5%	62	20.0%	20.0%
45-40	9.0%	9.0%	63	15.0%	15.0%
50	10.0%	10.0%	64	15.0%	15.0%
51	9.0%	9.0%	65	25.0%	25.0%
52	9.0%	9.0%	66	25.0%	25.0%
53	9.0%	9.0%	67	22.0%	22.0%
54	9.0%	9.0%	68	20.0%	20.0%
55	10.0%	10.0%	69	20.0%	20.0%
56	10.0%	10.0%	70	22.0%	22.0%
57	10.0%	10.0%	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	12.0%	12.0%	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	36.7%	39.8%	30.6%	33.2%	26.1%	28.2%	24.5%	26.5%
1	25.1%	27.3%	21.1%	22.9%	17.9%	19.5%	16.9%	18.3%
2	18.7%	20.2%	15.8%	17.2%	13.4%	14.6%	12.7%	13.8%
3	14.9%	16.1%	12.7%	13.8%	10.8%	11.7%	10.1%	11.0%
4	12.2%	13.3%	10.6%	11.4%	9.0%	9.7%	8.5%	9.1%
5	10.9%	11.9%	9.5%	10.3%	8.0%	8.8%	7.6%	8.3%
6	9.7%	10.5%	8.5%	9.1%	7.2%	7.8%	6.7%	7.4%
7	8.6%	9.4%	7.6%	8.3%	6.5%	7.0%	6.1%	6.6%
8	7.2%	7.7%	6.4%	6.8%	5.4%	5.8%	5.1%	5.5%
9	6.8%	7.4%	6.2%	6.6%	5.2%	5.6%	5.0%	5.3%
10	6.1%	6.5%	5.5%	5.9%	4.6%	5.1%	4.4%	4.7%
11	5.3%	5.7%	4.8%	5.3%	4.2%	4.5%	3.9%	4.2%
12	4.8%	5.2%	4.4%	4.8%	3.7%	4.1%	3.5%	3.9%
13	4.3%	4.6%	4.0%	4.4%	3.4%	3.7%	3.2%	3.5%
14	3.9%	4.1%	3.6%	3.9%	3.1%	3.3%	2.9%	3.1%
15	3.3%	3.6%	3.2%	3.4%	2.6%	3.0%	2.5%	2.8%
16	2.9%	3.1%	2.8%	3.0%	2.3%	2.5%	2.2%	2.4%
17	2.5%	2.8%	2.4%	2.6%	2.1%	2.2%	2.0%	2.1%
18	2.2%	2.3%	2.1%	2.3%	1.8%	2.0%	1.7%	1.9%
19	1.9%	2.1%	1.9%	2.1%	1.7%	1.8%	1.5%	1.7%
20	1.7%	2.0%	1.7%	2.0%	1.5%	1.6%	1.4%	1.5%
21	1.6%	1.8%	1.6%	1.8%	1.4%	1.5%	1.3%	1.4%
22	1.4%	1.7%	1.4%	1.7%	1.2%	1.3%	1.2%	1.3%
23	1.4%	1.5%	1.4%	1.5%	1.1%	1.3%	1.1%	1.2%
24	1.3%	1.4%	1.3%	1.4%	1.1%	1.2%	1.1%	1.1%
25	1.2%	1.3%	1.2%	1.3%	1.0%	1.1%	1.0%	1.1%
26	1.2%	1.2%	1.2%	1.2%	1.0%	1.1%	1.0%	1.0%
27	1.1%	1.1%	1.1%	1.1%	0.9%	1.0%	0.9%	0.9%
28	1.0%	1.0%	1.0%	1.0%	0.8%	0.9%	0.8%	0.8%
29	1.0%	0.9%	1.0%	0.9%	0.8%	0.9%	0.8%	0.7%
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, 2018

VII. 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	33%
4	100%	19	30%
5	100%	20	28%
6	100%	21	26%
7	100%	22	24%
8	47%	23	22%
9	46%	24	20%
10	45%	25	18%
11	44%	26	16%
12	43%	27	14%
13	42%	28	12%
14	41%	29*	10%

* Members with more than 29 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 2018 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 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 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	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed Markets	MSCI World Ex USA (net)	11.00%	4.55%
International Equities - Emerging Markets	MSCI EM Standard (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

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

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

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

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

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

VII. 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, 2018

VII. 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	\$	8 604 299	\$	7 689 526	\$	6 911 333
Fiduciary net position	\$	8 028 158	\$	8 028 158	\$	8 028 158
Net pension liability/(asset)	\$	576 141	\$	(338 632)	\$	(1 116 825)

Changes in Net Pension Liability (Asset)

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, 2016	\$	7 140 619	\$	7 107 534	\$	33 085
Changes for the Year:						
Service cost		272 744		-		272 744
Interest on total pension liability ⁽¹⁾		584 707		-		584 707
Effect of plan changes ⁽²⁾		-		-		-
Effect of economic/demographic gains or losses		25 160		-		25 160
Effect of assumptions changes or inputs		63 540		-		63 540
Refund of contributions		(19 471)		(19 471)		-
Benefit payments		(377 773)		(377 773)		-
Administrative expenses		-		(5 340)		5 340
Member contributions		-		161 451		(161 451)
Net investment income		-		1 035 711		(1 035 711)
Employer contributions		-		127 547		(127 547)
Other ⁽³⁾		-		(1 501)		1 501
Balances as of December 31, 2017	\$	<u>7 689 526</u>	\$	<u>8 028 158</u>	\$	<u>(338 632)</u>

(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, 2018

VII. PENSION PLAN - CONTINUED

Pension Expense/(Income)

Pension Expense/(Income)	January 1, 2017 to December 31, 2017
Service cost	\$ 272 744
Interest on total pension liability ⁽¹⁾	584 707
Effect of plan changes	-
Administrative expenses	5 339
Member contributions	(161 451)
Expected investment return net of investment expenses	(571 140)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains or losses	(4 322)
Recognition of assumption changes or inputs	36 995
Recognition of investment gains or losses	47 603
Other ⁽²⁾	1 501
PENSION EXPENSE/(INCOME)	\$ 211 977

(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, 2018, 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	\$ 35 795	\$ 18 870
Change of assumptions	-	68 764
Difference between projected and actual earnings	371 657	275 053
Contributions made subsequent to measurement date	-	167 717
	\$ 407 453	\$ 530 404

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,	
2018	\$ 66 771
2019	\$ 42 020
2020	\$ (60 642)
2021	\$ (92 915)
Thereafter	\$ -

Membership Information

Membership Class	
Inactive employees entitled to but not yet receiving benefits	35
Active employees	79
Currently receiving benefits	42

IX. 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, 2018

X. 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, 2018.

XI. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 22, 2019, the date when the financial statements were available to be issued.

XII. PRIOR PERIOD ADJUSTMENT

The County recorded a prior period adjustment to recognize the liabilities due to the state for overpaid sales taxes from prior periods of \$75,716 that are being repaid with direct reduction of sales taxes to the County.

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, 2018

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Taxes:				
Property taxes	\$ 2 914 324	\$ 2 914 324	\$ 2 912 484	\$ (1 840)
Sales taxes	300 000	300 000	397 823	97 823
Other taxes	2 500	2 500	2 918	418
TOTAL TAXES	3 216 824	3 216 824	3 313 225	96 401
Intergovernmental:				
Tax collection fees	45 000	45 000	86 831	41 831
Federal forest program	-	887 524	887 524	-
Salary supplements	98 445	98 445	79 558	(18 887)
Other grants	31 300	102 099	121 979	19 880
TOTAL INTERGOVERNMENTAL	174 745	1 133 068	1 175 892	42 824
Fines and Fees:				
Fees of office	406 500	423 881	392 896	(30 985)
TOTAL FINES AND FEES	406 500	423 881	392 896	(30 985)
Interest				
	37 000	37 000	49 530	12 530
Other Income:				
Miscellaneous	48 150	59 310	103 175	43 865
TOTAL OTHER INCOME	48 150	59 310	103 175	43 865
TOTAL REVENUES	3 883 219	4 870 083	5 034 718	164 635
Expenditures:				
General Administration Expenditures:				
County Judge:				
Salary	91 925	91 925	91 925	-
Benefits	29 462	29 640	29 621	19
Office, postage and copier	1 175	1 175	980	195
Bonds	400	722	722	-
Continuing education	2 000	2 000	1 765	235
Capital outlays	500	500	174	326
TOTAL COUNTY JUDGE	125 462	125 962	125 187	775
County Clerk:				
Salary	165 318	163 489	156 573	6 916
Benefits	64 800	64 800	60 465	4 335
Office, postage and copier	4 300	6 150	4 166	1 984
Maintenance	20 000	16 516	7 157	9 359
bonds	700	1 257	1 256	1
Continuing education	4 000	4 144	4 143	1
Capital outlay	1 000	1 000	982	18
Election cost	18 000	20 762	19 998	764
Library cost	1 000	1 000	1 015	(15)
TOTAL COUNTY CLERK	279 118	279 118	255 755	23 363

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2018

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Veteran Affairs:				
Salary	17 069	17 069	14 364	2 705
Benefits	2 336	2 336	1 946	390
Car allowance and travel	500	500	-	500
Office, postage and copier	500	451	427	24
Continuing education	2 000	2 000	-	2 000
Capital outlay	400	449	499	-
TOTAL VETERAN AFFAIRS	22 805	22 805	17 186	5 619
Courthouse:				
Salary	23 508	23 508	18 716	4 792
Benefits	11 742	11 831	11 157	674
Office, postage and copier	3 500	2 878	2 878	-
Utilities	35 000	35 550	35 550	-
Maintenance	40 000	39 983	34 066	5 917
TOTAL COURTHOUSE	113 750	113 750	102 367	11 383
Non Departmental:				
Benefits	22 500	22 500	19 035	3 465
Office, postage and copier	76 500	76 306	73 509	2 797
Maintenance	7 500	7 701	7 700	1
Insurance	25 000	25 000	20 656	4 344
Professional fees	70 000	68 993	49 723	19 270
Senior citizen assistance	15 000	15 000	15 000	-
Burke Center	9 602	9 602	9 602	-
Child safety instruction	750	750	750	-
Emergency and ambulance service	10 000	10 000	10 000	-
Autopsy fees	20 000	8 736	7 950	786
Library	-	10 000	10 000	-
Historical and cultural	150	150	-	150
Record management	-	1 500	1 313	187
Law library supplies	-	-	10 490	(10 490)
Miscellaneous	12 500	11 000	12 208	(1 208)
Continuing education	-	-	4 744	(4 744)
Capital outlays	34 592	845	21 188	(20 343)
TOTAL NON DEPARTMENTAL	304 094	268 083	273 868	(5 785)
TOTAL GENERAL GOVERNMENT	845 729	809 718	774 363	35 355
Judicial Expenditures:				
County Court At Law:				
Court appointed attorney	8 000	8 000	2 350	5 650
Jury and court costs	4 500	4 500	16 066	(11 566)
TOTAL COUNTY COURT AT LAW	12 500	12 500	18 416	(5 916)
District Court:				
Salary	71 782	54 419	54 416	3
Benefits	18 082	20 910	19 891	1 019
Car allowance and travel	1 400	3 329	3 328	1
Office, postage and copier	2 000	621	620	1
Professional fees	18 500	21 479	6 822	14 657
Court appointed attorneys	70 000	92 270	73 535	18 735
Jury and court costs	12 000	12 000	7 800	4 200
TOTAL DISTRICT COURT	193 764	205 028	166 412	38 616

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2018

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
District Attorney:				
Salary	58 362	58 362	58 362	-
Benefits	24 639	24 817	24 775	42
Office, postage and copier	1 750	1 554	663	891
Maintenance	500	500	314	186
Attorney fees	-	-	18 734	(18 734)
Bonds	-	18	18	-
Continuing education	2 500	2 500	983	1 517
TOTAL DISTRICT ATTORNEY	<u>87 751</u>	<u>87 751</u>	<u>103 849</u>	<u>(16 098)</u>
District Clerk:				
Salary	78 970	78 108	76 918	1 190
Benefits	27 736	27 914	27 697	217
Office, postage and copier	4 650	4 650	4 392	258
Maintenance	24 000	25 684	25 684	-
Bonds	300	300	111	189
Continuing education	3 500	3 500	2 343	1 157
Capital outlay	1 000	-	-	-
TOTAL DISTRICT CLERK	<u>140 156</u>	<u>140 156</u>	<u>137 145</u>	<u>3 011</u>
Justice of the Peace #1:				
Salary	70 364	70 364	70 364	-
Benefits	26 579	23 438	18 108	5 330
Car, allowance and travel	300	300	-	300
Office, postage and copier	1 650	1 650	1 486	164
Maintenance	4 800	5 4200	5 400	-
Bonds	200	200	181	19
Continuing education	2 200	2 509	2 509	-
Jury costs	100	100	-	100
Capital outlay	1 000	1 524	1 524	-
TOTAL JUSTICE OF THE PEACE #1	<u>107 193</u>	<u>105 485</u>	<u>99 572</u>	<u>5 913</u>
Justice of the Peace #2:				
Salary	68 821	68 821	68 821	-
Benefits	26 379	26 557	26 520	37
Car, allowance and travel	300	300	-	300
Office, postage and copier	1 260	1 595	1 393	202
Maintenance	4 800	5 907	5 907	-
Bonds	200	200	181	19
Continuing education	2 200	2 288	2 287	1
Capital outlay	400	400	-	400
Jury and court costs	100	100	-	100
TOTAL JUSTICE OF THE PEACE #2	<u>104 460</u>	<u>106 168</u>	<u>105 109</u>	<u>1 059</u>
Courthouse Security:				
Capital outlay	-	-	80	(80)
TOTAL COURTHOUSE SECURITY	<u>-</u>	<u>-</u>	<u>80</u>	<u>(80)</u>
TOTAL JUDICIAL EXPENDITURES	<u>645 824</u>	<u>657 088</u>	<u>630 583</u>	<u>26 505</u>
Legal:				
County Attorney:				
Salary	106 329	106 329	105 743	586
Benefits	31 405	31 583	31 557	26
Office, postage and copier	1 600	1 122	970	152
Maintenance	4 700	4 100	3 920	180
Bonds	200	200	95	105
Continuing education	1 500	900	685	215
Capital outlay	500	2 000	2 000	-
TOTAL COUNTY ATTORNEY	<u>146 234</u>	<u>146 234</u>	<u>144 970</u>	<u>1 264</u>
TOTAL LEGAL	<u>146 234</u>	<u>146 234</u>	<u>144 970</u>	<u>1 264</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, 2018

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Public Safety:				
Constable Precinct #1:				
Salary	12 000	12 000	1 500	10 500
Benefits	10 145	5 515	202	5 313
Fuel, oil and tires	1 800	1 800	-	1 800
Continuing education	200	200	50	150
Capital outlay	300	300	-	300
TOTAL CONSTABLE PRECINCT #1	<u>24 445</u>	<u>19 815</u>	<u>1 752</u>	<u>18 063</u>
Constable Precinct #2:				
Salary	12 000	12 000	-	12 000
Benefits	10 145	3 575	-	3 575
Fuel, oil and tires	1 800	1 800	-	1 800
Bonds	200	200	-	200
Capital outlay	300	300	-	300
TOTAL CONSTABLE PRECINCT #2	<u>24 445</u>	<u>17 875</u>	<u>-</u>	<u>17 875</u>
Sheriff:				
Salary	714 236	741 747	730 723	11 024
Benefits	277 545	254 854	259 857	(5 003)
Car, allowance and travel	12 500	16 497	11 457	5 040
Office, postage and copier	29 950	20 995	19 740	1 255
Utilities	36 000	25 682	33 836	(8 154)
Fuel, oil and tires	44 000	52 197	52 137	60
Maintenance	36 000	25 682	25 680	2
Bonds	19 600	19 970	19 475	495
Continuing education	3 000	1 000	980	20
Equipment leasing	15 600	16 069	16 069	-
Prisoner housing costs	207 000	218 320	218 692	(372)
Capital outlay	60 000	75 318	75 221	97
TOTAL SHERIFF	<u>1 455 431</u>	<u>1 468 331</u>	<u>1 463 867</u>	<u>4 464</u>
Probation:				
Office, postage and copier	1 000	1 000	826	174
Probation fees	16 059	16 059	16 059	-
TOTAL PROBATION	<u>17 059</u>	<u>17 059</u>	<u>16 885</u>	<u>174</u>
9-1-1:				
Salary	39 311	44 796	43 868	928
Benefits	14 562	14 729	15 318	(589)
Car, allowance and travel	2 500	2 210	1 011	1 199
Office, postage and copier	1 000	1 000	581	419
Continuing education	2 000	2 000	1 511	489
Other charges	25 000	29 997	29 975	22
Capital outlay	2 000	2 123	2 123	-
TOTAL 9-1-1	<u>86 373</u>	<u>96 855</u>	<u>94 387</u>	<u>2 468</u>
DARE Program:				
Office, postage and copier	-	-	4 930	(4 930)
TOTAL DARE PROGRAM	<u>-</u>	<u>-</u>	<u>4 930</u>	<u>(4 930)</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, 2018

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Justice Grant:				
Salary	-	17 466	17 466	-
Benefits	-	6 846	6 847	(1)
Continuing education	-	-	-	-
TOTAL JUSTICE GRANT	-	24 312	24 313	(1)
Homeland Security Grant:				
Capital outlay	-	27 408	27 408	-
TOTAL HOMELAND SECURITY GRANT PROGRAM	-	27 408	27 408	-
EOC Grant:				
Capital outlay	-	24 794	24 794	-
TOTAL EOC GRANT PROGRAM	-	24 794	24 794	-
TOTAL PUBLIC SAFETY	1 607 753	1 696 449	1 658 336	38 113
Financial Administration:				
County Auditor:				
Salary	39 876	39 876	39 876	-
Benefits	13 957	14 046	14 024	22
Office, postage and copier	750	661	596	65
Bonds	100	100	50	50
Continuing education	2 500	2 500	2 082	418
Capital outlay	300	300	300	-
TOTAL COUNTY AUDITOR	57 483	57 483	56 928	555
County Treasurer:				
Salary	99 520	99 520	98 911	609
Benefits	39 071	39 337	39 253	84
Office, postage and copier	4 800	4 534	4 088	446
Bonds	750	750	694	56
Maintenance	3 500	1 095	1 094	1
Continuing education	3 800	3 009	2 969	40
Capital outlay	3 050	6 246	6 246	-
TOTAL COUNTY TREASURER	154 491	154 491	153 255	1 236
Tax Assessor/Collector:				
Salary	186 989	189 021	188 296	725
Benefits	76 512	77 044	77 010	34
Car, allowance and travel	100	164	164	-
Office, postage and copier	6 400	8 016	7 477	539
Bonds	1 600	1 808	1 807	1
Continuing education	6 000	5 203	5 203	-
Appraisal district payments	82 000	115 747	115 747	-
Equipment leasing	32 000	37 140	37 138	2
Other charges	5 440	3 817	3 523	294
TOTAL TAX ASSESSOR/COLLECTOR	397 041	437 960	436 365	1 595
TOTAL FINANCIAL ADMINISTRATION	609 015	649 934	646 548	3 386
Conservation:				
County Agent:				
Salary	20 052	15 055	10 026	5 029
Benefits	1 962	1 962	1 168	794
Car, allowance and travel	5 000	5 000	5 000	-
Office, postage and copier	1 650	1 650	1 166	484
TOTAL COUNTY AGENT	28 664	23 667	17 360	6 307
TOTAL CONSERVATION	28 664	23 667	17 360	6 307

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2018

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	-	887 524	887 524	-
TOTAL PASS-THROUGH TO OTHER ENTITIES	-	887 524	887 524	-
TOTAL EXPENDITURES	<u>3 883 219</u>	<u>4 870 614</u>	<u>4 759 684</u>	<u>110 930</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 -	 (531)	 275 034	 275 565
Other Financing Sources (Uses):				
Transfer in	-	-	23 000	23 000
Transfer out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	23 000	23 000
 NET CHANGE IN FUND BALANCES	 -	 (531)	 298 034	 298 565
Fund balance, beginning	3 363 679	3 363 679	3 363 679	-
Prior period adjustment	(75 716)	(75 716)	(75 716)	-
Fund balance, beginning (restated)	<u>3 287 963</u>	<u>3 287 963</u>	<u>3 287 963</u>	-
 FUND BALANCE, ENDING	 <u>\$ 3 287 963</u>	 <u>\$ 3 287 432</u>	 <u>\$ 3 585 997</u>	 <u>\$ 298 565</u>

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, 2018

EXHIBIT B-2

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental:				
Lateral road fees	\$ 4 400	\$ 4 400	\$ 4 439	\$ 39
Federal forest funds	50 000	50 000	106 503	56 503
Grants	-	-	48 051	48 051
Payments in lieu of taxes	8 500	8 500	58 304	49 804
TOTAL INTERGOVERNMENTAL	62 900	62 900	217 297	154 397
Fines and Fees:				
License and permits	120 000	120 000	108 336	(11 664)
TOTAL FINES AND FEES	120 000	120 000	108 336	(11 664)
Interest	14 000	14 000	17 422	3 422
Other Income:				
Material reimbursement	4 100	4 100	3 673	(427)
Miscellaneous	6 000	6 000	11 293	5 293
TOTAL OTHER INCOME	10 100	10 100	14 966	4 866
TOTAL REVENUES	207 000	207 000	358 021	151 021
Expenditures:				
Road and Bridge:				
Salary	147 969	147 969	164 527	(16 558)
Benefits	62 431	62 953	61 261	1 692
Car, allowance and travel	9 600	9 600	9 600	-
Road material	71 600	75 846	33 805	42 041
Office, postage and copier	3 800	5 475	3 987	1 488
Utilities	4 000	4 000	3 060	940
Fuel, oil and tires	49 000	42 732	19 523	23 209
Maintenance	22 500	22 500	5 060	17 440
Insurance	6 700	6 700	5 511	1 189
Continuing education	1 500	1 500	1 454	46
Capital outlay	20 000	20 000	-	20 000
TOTAL EXPENDITURES	399 100	399 275	307 788	91 487
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(192 100)	(192 275)	50 233	242 508
Other Financing Sources (Uses):				
Transfers in (out)	(7 500)	(7 500)	(5 000)	2 500
TOTAL OTHER FINANCING SOURCES (USES)	(7 500)	(7 500)	(5 000)	2 500
NET CHANGE IN FUND BALANCES	(199 600)	(199 775)	45 233	245 008
Fund balances, beginning	1 184 974	1 184 974	1 184 974	-
FUND BALANCES, ENDING	\$ 985 374	\$ 985 199	\$ 1 230 207	\$ 245 008

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, 2018

EXHIBIT B-3

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental:				
Lateral road fees	\$ 4 600	\$ 4 600	\$ 4 624	\$ 24
Federal forest funds	50 000	50 000	110 941	60 941
Grants	-	-	89 376	89 376
Payments in lieu of taxes	9 000	9 000	60 734	51 734
TOTAL INTERGOVERNMENTAL	<u>63 600</u>	<u>63 600</u>	<u>265 675</u>	<u>202 075</u>
Fines and Fees:				
License and permits	114 000	114 000	112 850	(1 150)
TOTAL FINES AND FEES	<u>114 000</u>	<u>114 000</u>	<u>112 850</u>	<u>(1 150)</u>
Interest	9 500	9 500	12 034	2 534
Other Income:				
Material reimbursement	10 100	10 000	9 573	(427)
Miscellaneous	8 000	8 000	11 625	3 625
TOTAL OTHER INCOME	<u>18 100</u>	<u>18 000</u>	<u>21 198</u>	<u>3 198</u>
TOTAL REVENUES	<u>205 200</u>	<u>205 100</u>	<u>411 757</u>	<u>206 657</u>
Expenditures:				
Road and Bridge:				
Salary	148 407	130 396	116 211	14 185
Benefits	62 671	63 018	59 118	3 900
Car, allowance and travel	9 600	9 600	9 600	-
Road material	131 600	112 958	67 402	45 556
Office, postage and copier	2 850	4 749	1 877	2 872
Utilities	1 200	1 200	1 162	38
Fuel, oil and tires	47 000	47 251	28 306	18 945
Maintenance	30 000	45 403	35 027	10 376
Insurance	4 450	4 450	3 633	817
Continuing education	1 500	1 500	1 134	366
Capital outlay	20 000	20 000	19 474	526
TOTAL EXPENDITURES	<u>459 278</u>	<u>440 525</u>	<u>342 944</u>	<u>97 581</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(254 078)</u>	<u>(235 425)</u>	<u>68 813</u>	<u>304 238</u>
Other Financing Sources (Uses):				
Transfers in (out)	(7 500)	(7 500)	(5 000)	2 500
TOTAL OTHER FINANCING SOURCES (USES)	<u>(7 500)</u>	<u>(7 500)</u>	<u>(5 000)</u>	<u>2 500</u>
NET CHANGE IN FUND BALANCES	<u>(261 578)</u>	<u>(242 925)</u>	<u>63 813</u>	<u>306 738</u>
Fund balances, beginning	813 810	813 810	813 810	-
FUND BALANCES, ENDING	<u>\$ 552 232</u>	<u>\$ 570 885</u>	<u>\$ 877 623</u>	<u>\$ 306 738</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, 2018

EXHIBIT B-4

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental:				
Lateral road fees	\$ 4 600	\$ 4 600	\$ 4 624	\$ 24
Federal forest funds	50 000	50 000	110 941	60 941
Grants	-	-	146 055	146 055
Payments in lieu of taxes	9 000	9 000	60 734	51 734
TOTAL INTERGOVERNMENTAL	63 600	63 600	322 354	258 754
Fines and Fees:				
License and permits	114 000	114 000	112 850	(1 150)
TOTAL FINES AND FEES	114 000	114 000	112 850	(1 150)
Interest	9 500	9 500	12 034	2 534
Other Income:				
Material reimbursement	1 050	1 050	1 383	333
Miscellaneous	6 000	6 000	10 421	4 421
TOTAL OTHER INCOME	7 050	7 050	11 804	4 754
TOTAL REVENUES	194 150	194 150	459 042	264 892
Expenditures:				
Road and Bridge:				
Salary	148 170	149 035	146 362	2 673
Benefits	54 119	45 665	35 297	10 368
Car, allowance and travel	9 600	9 600	9 600	-
Road material	125 550	125 550	74 308	51 242
Office, postage and copier	3 050	4 725	1 674	3 051
Utilities	2 000	2 124	2 124	-
Fuel, oil and tires	44 000	44 511	26 382	18 129
Maintenance	24 000	29 279	22 258	7 021
Insurance	5 250	5 250	4 113	1 137
Continuing education	1 500	1 500	1 454	46
Capital outlay	20 000	20 000	9 454	10 546
TOTAL EXPENDITURES	437 239	437 239	333 026	104 213
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(243 089)	(243 089)	126 016	369 105
Other Financing Sources (Uses):				
Transfers in (out)	(7 500)	(7 500)	(5 000)	2 500
TOTAL OTHER FINANCING SOURCES (USES)	(7 500)	(7 500)	(5 000)	2 500
NET CHANGE IN FUND BALANCES	(250 589)	(250 589)	121 016	371 605
Fund balances, beginning	655 280	655 280	655 280	-
FUND BALANCES, ENDING	\$ 404 691	\$ 404 691	\$ 776 296	\$ 371 605

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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, 2018

EXHIBIT B-5

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental:				
Lateral road fees	\$ 4 800	\$ 4 800	\$ 4 809	\$ 9
Federal forest funds	50 000	50 000	115 378	65 378
Grants	-	-	90 633	90 633
Payments in lieu of taxes	9 400	9 400	63 163	53 763
TOTAL INTERGOVERNMENTAL	64 200	64 200	273 983	209 783
Fines and Fees:				
License and permits	120 000	120 000	117 364	(2 636)
TOTAL FINES AND FEES	120 000	120 000	117 364	(2 636)
Interest	14 000	14 000	12 034	(1 966)
Other Income:				
Material reimbursement	4 000	4 000	4 020	20
Miscellaneous	6 000	6 000	11 921	5 921
TOTAL OTHER INCOME	10 000	10 000	15 941	5 941
TOTAL REVENUES	208 200	208 200	419 322	211 122
Expenditures:				
Road and Bridge:				
Salary	161 029	157 881	133 131	24 750
Benefits	64 881	64 881	49 913	14 968
Car, allowance and travel	9 600	9 600	9 600	-
Road material	161 100	160 527	98 848	61 679
Office, postage and copier	2 950	4 625	1 564	3 061
Utilities	2 100	2 100	1 862	238
Fuel, oil and tires	44 000	44 023	28 588	15 435
Maintenance	19 500	20 173	15 372	4 801
Insurance	5 450	5 450	4 409	1 041
Continuing education	1 500	1 500	206	1 294
Capital outlay	20 000	20 000	13 451	6 549
TOTAL EXPENDITURES	492 110	490 760	356 944	133 816
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(283 910)	(282 560)	62 378	344 938
Other Financing Sources (Uses):				
Transfers in (out)	(7 500)	(7 500)	(5 000)	2 500
TOTAL OTHER FINANCING SOURCES (USES)	(7 500)	(7 500)	(5 000)	2 500
NET CHANGE IN FUND BALANCES	(291 410)	(290 060)	57 378	347 438
Fund balances, beginning	872 708	872 708	872 708	-
FUND BALANCES, ENDING	\$ 581 298	\$ 582 648	\$ 930 086	\$ 347 438

See independent auditors' report.

SABINE COUNTY, TEXAS
NOTES TO BUDGETARY SCHEDULES
For the Year Ended December 31, 2018

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, 2018.

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

EXHIBIT B-6

	2017	2016	2015	2014
Total Pension Liability:				
Service cost	\$ 272 744	280 221	\$ 244 579	\$ 239 179
Interest (on the total pension liability)	584 707	540 800	506 759	465 552
Effect of plan changes	-	-	(35 116)	-
Effect of assumption changes or inputs	63 540	-	(49 759)	54 021
Effect of economic/demographic (gains) or losses	25 160	(46 710)	84 442	-
Benefit payments/refunds of contributions	(397 244)	(339 100)	(309 345)	(245 616)
NET CHANGE IN TOTAL PENSION LIABILITY	548 907	435 211	441 560	513 136
Total pension liability - Beginning	7 140 619	6 705 408	6 263 848	5 750 712
TOTAL PENSION LIABILITY - ENDING	7 689 526	7 140 619	6 705 408	6 263 848
Fiduciary Net Position:				
Contributions - Employer	127 547	125 756	119 460	109 848
Contributions - Member	161 451	153 362	149 860	138 797
Investment income net of investment expenses	1 035 711	489 008	(20 944)	436 792
Benefit payments/refunds of contributions	(397 244)	(312 286)	(309 344)	(245 617)
Administrative expenses	(5 340)	(5 385)	(4 839)	(5 038)
Other	(1 501)	(43 831)	10 013	(3 831)
NET CHANGE IN PLAN FIDUCIARY NET POSITION	920 624	406 624	(55 794)	430 951
Plan fiduciary net position - Beginning	7 107 534	6 700 910	6 756 704	6 325 753
PLAN FIDUCIARY NET POSITION - ENDING	8 028 158	7 107 534	6 700 910	6 756 704
NET PENSION LIABILITY (ASSET) - ENDING	\$ (338 632)	33 085	\$ 4 498	\$ (492 856)
Plan fiduciary net position as a percentage of total pension liability	104.40%	99.54%	99.93%	(7.87)%
Covered employee payroll	\$ 2 306 448	2 190 879	\$ 2 140 860	\$ 1 982 820
Net pension liability as a percentage of covered employee payroll	(14.68)%	1.51%	0.21%	(24.86)%

Additional years will be provided as they become available.
See Note VII for additional information.

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	\$ 127 547	\$ 127 547	\$ -	\$ 2 306 448	5.5%

Additional years will be provided as they become available.
 See Note VII for additional information.

See independent auditors' report.

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 BALANCE SHEETS -
 SPECIAL REVENUE FUNDS
 December 31, 2018

	APPELLATE JUDICIAL SYSTEM FUND	DISTRICT CLERK RECORD ARCHIVE FEE FUND	CONVENTION CENTER BUILDING	RECORD RETENTION FUND
ASSETS				
Cash and investments	\$ 16	\$ 2 464	\$ 74 329	\$ 73 683
Other receivables	-	-	-	-
Due from other funds	55	107	-	1 839
TOTAL ASSETS	\$ 71	\$ 2 571	\$ 74 329	\$ 75 522
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
TOTAL LIABILITIES	-	-	-	-
Fund Balances:				
Restricted Fund Balance:				
Road and bridge maintenance	-	-	-	-
Hotel/motel tax	-	-	-	-
Federal and state grants	-	-	-	-
Construction	-	-	74 329	-
Record retention	-	2 571	-	75 522
Unassigned	71	-	-	-
TOTAL FUND BALANCES	71	2 571	74 329	75 522
TOTAL LIABILITIES AND FUND BALANCES	\$ 71	\$ 2 571	\$ 74 329	\$ 75 522

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
\$ 86 420	\$ 6 592	\$ 38 795	\$ 28 050	\$ 14 671	\$ -	\$ 325 020
9 302	-	-	-	-	132 275	141 577
-	135	-	1 815	541	-	4 492
<u>\$ 95 722</u>	<u>\$ 6 727</u>	<u>\$ 38 795</u>	<u>\$ 29 865</u>	<u>\$ 15 212</u>	<u>\$ 132 275</u>	<u>\$ 471 089</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1 313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132 275</u>	<u>\$ 133 588</u>
<u>-</u>	<u>-</u>	<u>1 313</u>	<u>-</u>	<u>-</u>	<u>132 275</u>	<u>133 588</u>
-	-	-	-	15 212	-	15 212
95 722	-	-	-	-	-	95 722
-	-	37 482	-	-	-	37 482
-	-	-	-	-	-	74 329
-	6 727	-	29 865	-	-	114 685
-	-	-	-	-	-	71
<u>95 722</u>	<u>6 727</u>	<u>37 482</u>	<u>29 865</u>	<u>15 212</u>	<u>-</u>	<u>337 501</u>
<u>\$ 95 722</u>	<u>\$ 6 727</u>	<u>\$ 38 795</u>	<u>\$ 29 865</u>	<u>\$ 15 212</u>	<u>\$ 132 275</u>	<u>\$ 471 089</u>

SABINE COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
 For the Year Ended December 31, 2018

	APPELLATE JUDICIAL SYSTEM FUND	DISTRICT CLERK RECORD ARCHIVE FEE FUND	CONVENTION CENTER BUILDING	RECORD RETENTION FUND
Revenues:				
Fines and fees	\$ 950	\$ 1 457	\$ -	\$ 25 571
Other taxes	-	-	-	-
Intergovernmental	-	-	-	-
Interest	2	60	930	1 060
TOTAL REVENUES	952	1 517	930	26 631
Expenditures:				
General government	-	4 260	-	43 898
Judicial	895	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
TOTAL EXPENDITURES	895	4 260	-	43 898
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	57	(2 743)	930	(17 267)
Other Financing Sources (Uses):				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	57	(2 743)	930	(17 267)
Fund balances, beginning	14	5 314	73 399	92 789
FUND BALANCES, ENDING	\$ 71	\$ 2 571	\$ 74 329	\$ 75 522

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
\$ -	\$ 1 994	\$ -	\$ 25 065	\$ -	\$ -	\$ 55 037
73 355	-	-	-	-	-	73 355
-	-	-	-	-	148 937	148 937
861	74	-	467	-	-	3 454
<u>74 216</u>	<u>2 068</u>	<u>-</u>	<u>25 532</u>	<u>-</u>	<u>148 937</u>	<u>280 783</u>
42 705	1 130	-	-	-	-	91 993
-	-	-	-	-	-	895
-	-	60 152	-	-	-	60 152
-	-	-	-	7 435	148 937	156 372
<u>42 705</u>	<u>1 130</u>	<u>60 152</u>	<u>-</u>	<u>7 435</u>	<u>148 937</u>	<u>309 412</u>
31 511	938	(60 152)	25 532	(7 435)	-	(28 629)
-	-	-	(23 000)	-	-	(23 000)
-	-	-	-	20 000	-	20 000
-	-	-	(23 000)	20 000	-	(3 000)
31 511	938	(60 152)	2 532	12 565	-	(31 629)
<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>95 722</u>	\$ <u>6 727</u>	\$ <u>37 482</u>	\$ <u>29 865</u>	\$ <u>15 212</u>	\$ <u>-</u>	\$ <u>337 501</u>

SABINE COUNTY, TEXAS
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 December 31, 2018

	TAX ASSESSOR- COLLECTOR FUND	COUNTY CLERK	DISTRICT CLERK
ASSETS			
Restricted cash	\$ 693 471	\$ 29 606	\$ 485 434
TOTAL ASSETS	\$ 693 471	\$ 29 606	\$ 485 434
LIABILITIES			
Due to County	\$ -	\$ -	\$ -
Due to others	693 471	29 606	485 434
TOTAL LIABILITIES	\$ 693 471	\$ 29 606	\$ 485 434

See independent auditors' report.

COUNTY SHERIFF	COUNTY ATTORNEY	TREASURER FEE ACCOUNT	OTHER	COMBINED FIDUCIARY FUNDS
\$ 28 572	\$ 15 091	\$ 31 177	\$ 985	\$ 1 284 336
<u>\$ 28 572</u>	<u>\$ 15 091</u>	<u>\$ 31 177</u>	<u>\$ 985</u>	<u>\$ 1 284 336</u>
\$ -	\$ -	\$ 31 177	\$ -	\$ 31 177
28 572	15 091	-	985	1 253 159
<u>\$ 28 572</u>	<u>\$ 15 091</u>	<u>\$ 31 177</u>	<u>\$ 985</u>	<u>\$ 1 284 336</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, 2018, 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 22, 2019.

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 22, 2019


CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Judge and Commissioners
Sabine County, Texas
Hemphill, Texas

Compliance

We have audited the compliance of Sabine County, Texas with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018. Sabine County, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, terms and conditions of its federal awards applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on Sabine County, Texas' compliance with major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sabine County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sabine County, Texas' compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Sabine County, Texas, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Internal Control Over Compliance

The management of Sabine County, Texas, is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit, we considered Sabine County, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sabine County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lufkin, Texas
July 22, 2019


CERTIFIED PUBLIC ACCOUNTANTS

SABINE COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

GRANT/CONTRACT	FEDERAL CFDA NUMBER	CONTRACT NUMBER/ PASS - THROUGH GRANTOR'S NUMBER	TOTAL EXPENDITURES
U. S. Department of the Interior:			
Payments in Lieu of Taxes	15.226	N/A	\$ 268 644
TOTAL U. S. DEPARTMENT OF INTERIOR			<u>268 644</u>
U. S. Department of Homeland Security:			
Disaster Grant	97 036	N/A	397 824
Hazard Mitigation Grant	97.039	N/A	<u>22 779</u>
TOTAL U. S. DEPARTMENT OF HOMELAND SECURITY			<u>420 603</u>
U. S. Department of Justice:			
Edward Bryne Memorial Justice Assistance Grant	16.738	N/A	24 312
Public Safety Partnership and Community Policing Grant	16.710	N/A	<u>14 000</u>
TOTAL U. S. DEPARTMENT OF JUSTICE			<u>38 312</u>
U. S. Department of Agriculture:			
Rural Development Grant	10.672	N/A	148 937
Schools and Roads Grant	10.666	N/A	<u>1 331 287</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>1 480 224</u>
 TOTAL FEDERAL AWARDS			 \$ <u><u>2 207 783</u></u>

See independent auditors' report and notes to schedule of expenditures of federal awards.

SABINE COUNTY, TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2018

Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of Sabine County. The information in the SEFA is presented in accordance with the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in the general purpose financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Indirect Cost Rate

The County has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance

SABINE COUNTY, TEXAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended September 30, 2018

A. Summary of the Auditor's Results:

1. Financial Statements

Type of report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(s) that are not considered to be material weaknesses? Yes None reported

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Reportable condition(s) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.666	Schools and Roads Grant to County

Dollar threshold to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

B. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

NONE