

SABINE COUNTY, TEXAS
Hemphill, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2019

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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, fiduciary 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, 2019, 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, 2019, 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 Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 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 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 June 22, 2020, 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
June 22, 2020


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, 2019. 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 \$11,174,005 at December 31, an increase of \$67,097 for activities from the prior year.
- Total government-wide revenues for the current year were \$6,417,496 compared to \$6,830,800 in the prior year, a decrease of \$413,304 or 6.1%.
- During the current year, the County's expenses were \$3,997,233 more than the \$2,353,166 generated in charges for services and operating grants and contributions.
- The general fund reported an unassigned fund balance this year of \$3,982,599.

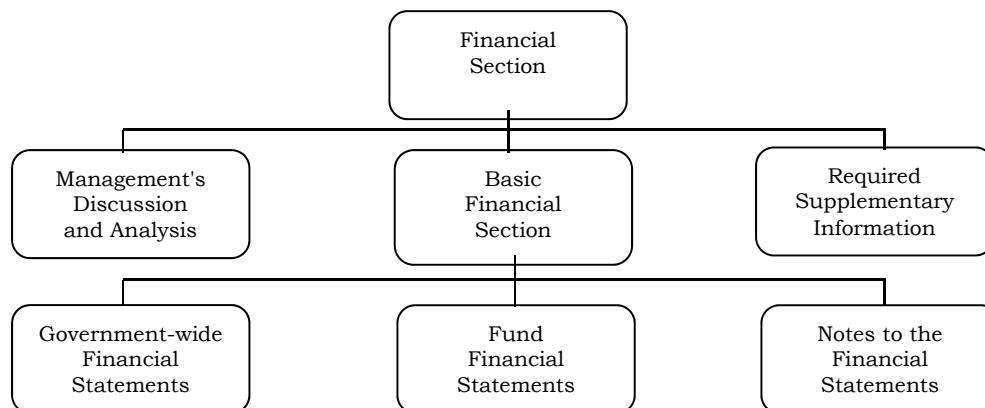
OVERVIEW OF THE FINANCIAL STATEMENTS

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-capital 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 \$11,174,005. The following table provides a summary of the County's net position:

	SUMMARY OF NET POSITION		AMOUNT OF CHANGE	% CHANGE
	DECEMBER 31,			
	2019	2018		
Current and other assets	\$ 9 201 779	\$ 9 912 490	\$ (710 711)	(7.2)
Capital assets	2 425 062	1 897 509	527 553	27.8
TOTAL ASSETS	<u>11 626 841</u>	<u>11 809 999</u>	<u>(183 158)</u>	(1.6)
Deferred outflows related to pension	<u>986 584</u>	<u>530 404</u>	<u>456 180</u>	86.0
Current liabilities	361 122	826 042	(464 920)	(56.3)
Long-term liabilities	<u>787 876</u>	<u>-</u>	<u>787 876</u>	100.0
TOTAL LIABILITIES	<u>1 148 998</u>	<u>826 042</u>	<u>322 956</u>	39.1
Deferred outflows related to pension	<u>290 422</u>	<u>407 453</u>	<u>(117 031)</u>	(28.7)
Net Position:				
Invested in capital assets	2 031 998	1 897 509	134 489	7.1
Restricted	3 843 641	4 151 642	(308 001)	(7.4)
Unrestricted	<u>5 298 366</u>	<u>5 057 757</u>	<u>240 609</u>	4.8
TOTAL NET POSITION	<u>\$ 11 174 005</u>	<u>\$ 11 106 908</u>	<u>\$ 67 097</u>	0.6

Net position of the County's governmental activities increased by \$67,097 during the year ending December 31, 2019, up 0.6% from the prior year. However, some parts of this net position are either restricted as to the purposes they can be used for, or are invested in capital assets (buildings, vehicles, equipment, and so on). Consequently, unrestricted net position totaled \$5,298,366 at year end, an increase of 4.8%.

Governmental Activities

- The cost of all *governmental* activities this year was \$6,350,399.
- The amount that our taxpayers paid for these activities through property taxes was \$3,126,589.
- Some of the cost was paid by those who directly benefited from service fees and charges \$883,154 and from operating and capital grants and contributions \$1,470,012.

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	% CHANGE
	2019	2018		
Program Revenues:				
Charges for services	\$ 883 154	\$ 917 829	\$ (34 675)	(3.8)
Operating grants/contributions	189 125	1 175 892	(986 767)	(83.9)
Capital grants/contributions	1 280 887	1 060 813	220 074	20.7
General Revenues:				
Property taxes	3 126 589	2 928 578	198 011	6.7
Other taxes	490 621	474 096	16 525	3.5
Interest income	161 900	106 508	55 392	52.0
Other income	285 220	167 084	118 136	70.3
TOTAL REVENUES/ CONTRIBUTIONS	6 417 496	6 830 800	(413 304)	(6.1)
Expenses:				
General government	1 082 014	916 238	165 776	18.1
Judicial	649 760	667 836	(18 076)	(2.7)
Legal	164 581	153 317	11 264	7.3
Public Safety	1 648 628	1 728 881	(80 253)	(4.6)
Highways and streets	1 575 648	1 285 397	290 251	22.6
Financial administration	729 334	683 774	45 560	6.7
Conservation	21 407	18 359	3 048	16.6
Pass-through to other entities	479 027	887 524	(408 497)	(46.0)
TOTAL EXPENSES	6 350 399	6 341 326	9 073	0.1
REVENUES OVER (UNDER) EXPENSES	67 097	489 474	(422 377)	(86.3)
Beginning net position	11 106 908	10 693 150	413 758	3.7
Prior period adjustment	-	(75 716)	75 716	100.0
ENDING NET POSITION	\$ 11 174 005	\$ 11 106 908	\$ 67 097	0.6

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	% CHANGE
	2019	2018		
General Fund	\$ 3 982 599	\$ 3 585 997	\$ 396 602	11.1
Road and Bridge Funds	3 499 201	3 814 212	(315 011)	(8.3)
Special Revenue Funds	344 440	337 501	6 939	2.1
TOTAL FUND BALANCE	\$ 7 826 240	\$ 7 737 710	\$ 88 530	1.1

General Fund Budgetary Highlights

Over the course of the year, the County revised the general fund budget and the road and bridge fund budget several times. With these adjustments, actual general fund expenditures were \$214,789 below 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 \$57,309 below the final budgeted revenues.

Taking both budget factors into account, the County experienced an increase in the fund balance of the General fund of \$396,602, when the final budget called for a \$259,988 increase in fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, the County had invested \$11,495,022 in a broad range of capital assets, including land, equipment, buildings, and vehicles. This amount represents a net increase (including additions and deductions) of \$665,740 over last year.

	DECEMBER 31,		AMOUNT OF CHANGE	% CHANGE
	2019	2018		
Land	\$ 120 714	\$ 120 714	\$ -	-
Buildings and improvements	1 255 566	1 216 026	39 540	3.3
Equipment and vehicles	4 685 324	4 325 921	359 403	8.3
Roads and bridges	5 356 564	5 166 621	189 943	3.7
Construction in progress	76 854	-	76 854	100.0
TOTAL CAPITAL ASSETS	\$ 11 495 022	\$ 10 829 282	\$ 665 740	6.1

Debt

During the year, the County financed a Motorgrader and Dump Truck for \$393,064 at 3.8 to 3.99% interest over 5 years.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2020 budget preparation is estimated to be approximately \$870,170,485 which is a decrease of approximately 0.0172% from the 2019 appraised values of \$909,454,779.
- Proposed tax rate for 2020 budget is \$0.39999 per \$100 valuation.

These indicators were taken into account when adopting the general fund budget for 2020. The County has added no major new programs or initiatives to the 2020 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, 2019

EXHIBIT A-1

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 7 449 654
Restricted cash	172 131
Receivables Net of Allowance for Uncollectibles:	
Taxes	1 102 567
Due from state	13 943
Due from fiduciary funds	449 577
Other	13 907
TOTAL CURRENT ASSETS	<u>9 201 779</u>
Noncurrent Assets:	
Capital Assets, Net of Depreciation:	
Land	120 714
Streets and infrastructure	1 178 409
Buildings and improvements	296 813
Vehicles	164 878
Machinery and equipment	587 394
Construction in progress	76 854
TOTAL CAPITAL ASSETS	<u>2 425 062</u>
TOTAL ASSETS	<u>11 626 841</u>
DEFERRED OUTFLOW	
Contribution subsequent to measurement date	148 415
Pension deferred outflows	838 169
TOTAL DEFERRED OUTFLOW	<u>986 584</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 12 613 425</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 190 795
Due to state	24 484
Accrued liabilities	95 015
Due in current period	50 828
TOTAL CURRENT LIABILITIES	<u>361 122</u>
Noncurrent Liabilities:	
Pension liability	445 640
Long-term debt	342 236
TOTAL NONCURRENT LIABILITIES	<u>787 876</u>
TOTAL LIABILITIES	<u>1 148 998</u>
Deferred pension inflows	<u>290 422</u>
NET POSITION	
Net investment in capital assets	2 031 998
Restricted	3 843 641
Unrestricted	5 298 366
TOTAL NET POSITION	<u>\$ 11 174 005</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, 2019

EXHIBIT A-2

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT
					GOVERNMENTAL ACTIVITIES
Primary Government:					
Governmental Activities:					
General administration	\$ 1 082 014	\$ 213 556	\$ 42 643	\$ -	\$ (825 815)
Judicial	649 760	172 455	42 000	-	(435 305)
Legal	164 581	-	-	-	(164 581)
Public safety	1 648 628	40 671	104 482	-	(1 503 475)
Highways and bridges	1 575 648	456 472	-	1 280 887	161 711
Financial administration	729 334	-	-	-	(729 334)
Conservation	21 407	-	-	-	(21 407)
Pass through to other entities	479 027	-	-	-	(479 027)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 6 350 399	\$ 883 154	\$ 189 125	\$ 1 280 887	(3 997 233)
General Revenues:					
Taxes:					
Property taxes					3 126 589
Other tax revenue					490 621
Unrestricted investment earnings					161 900
Other unrestricted revenue					285 220
TOTAL GENERAL REVENUES					4 064 330
CHANGE IN NET POSITION					67 097
Net position, beginning					11 106 908
NET POSITION, ENDING					\$ 11 174 005

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

SABINE COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

	GENERAL	ROAD & BRIDGE 1	ROAD & BRIDGE 2
ASSETS			
Cash and investments	\$ 3 594 174	\$ 1 197 673	\$ 767 457
Restricted cash	172 131	-	-
Taxes receivable	1 102 567	-	-
Other receivables	3 025	2 753	-
Due from state	13 943	-	-
Due from fiduciary funds	440 039	4 952	-
TOTAL ASSETS	\$ 5 325 879	\$ 1 205 378	\$ 767 457
 LIABILITIES, DEFERRED INFLOWS, AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ 184 146	\$ 1 548	\$ -
Due to state	24 484	-	-
Accrued liabilities	69 405	13 895	3 733
TOTAL LIABILITIES	278 035	15 443	3 733
 Deferred Inflows:			
Unearned revenues	1 065 245	-	-
TOTAL DEFERRED INFLOWS	1 065 245	-	-
 Fund Balances:			
Restricted Fund Balance:			
Road and bridge maintenance	-	1 189 935	763 724
Hotel/motel tax usage	-	-	-
Federal and state grants	-	-	-
Construction	-	-	-
Record retention	-	-	-
Unrestricted Reported in:			
Unassigned	3 982 599	-	-
TOTAL FUND BALANCES	3 982 599	1 189 935	763 724
 TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE	 \$ 5 325 879	 \$ 1 205 378	 \$ 767 457

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>
\$	660 129	\$ 893 390	\$ 336 831	\$ 7 449 654
	-	-	-	172 131
	-	-	-	1 102 567
	-	5	8 124	13 907
	-	-	-	13 943
	-	-	4 586	449 577
\$	<u>660 129</u>	<u>893 395</u>	<u>349 541</u>	<u>9 201 779</u>
\$	-	\$ -	\$ 5 101	\$ 190 795
	-	-	-	24 484
	6 032	1 950	-	95 015
	<u>6 032</u>	<u>1 950</u>	<u>5 101</u>	<u>310 294</u>
	-	-	-	1 065 245
	-	-	-	1 065 245
	654 097	891 445	4 901	3 504 102
	-	-	120 225	120 225
	-	-	16 982	16 982
	-	-	75 536	75 536
	-	-	126 796	126 796
	-	-	-	3 982 599
	<u>654 097</u>	<u>891 445</u>	<u>344 440</u>	<u>7 826 240</u>
\$	<u>660 129</u>	<u>893 395</u>	<u>349 541</u>	<u>9 201 779</u>

SABINE COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2019

EXHIBIT A-4

Total fund balances - Governmental funds balance sheet	\$ 7 826 240
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.	2 425 062
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1 065 245
Debt proceeds are recorded as other financing sources in the funds and liabilities in the governmental activities.	(393 064)
Recognition of the County's proportionate share of the net pension asset is not reported in the funds.	(445 640)
Deferred resource outflows and inflows related to the pension are not reported in the funds.	<u>696 162</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	<u>\$ 11 174 005</u>

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, 2019

	<u>GENERAL</u>	<u>ROAD & BRIDGE 1</u>	<u>ROAD & BRIDGE 2</u>
Revenues:			
Property taxes	\$ 3 071 450	\$ -	\$ -
Other taxes	418 470	-	-
Fines and fees	375 692	108 308	112 822
Interest	84 206	24 701	16 160
Intergovernmental	742 133	129 113	134 484
Miscellaneous	211 399	11 974	14 764
TOTAL REVENUES	<u>4 903 350</u>	<u>274 096</u>	<u>278 230</u>
Expenditures:			
General administration	973 357	-	-
Judicial	592 739	-	-
Legal	151 719	-	-
Public safety	1 641 069	-	-
Highways and streets	-	308 368	517 943
Financial administration	671 970	-	-
Conservation	19 867	-	-
Pass through to other entities	479 027	-	-
TOTAL EXPENDITURES	<u>4 529 748</u>	<u>308 368</u>	<u>517 943</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>373 602</u>	<u>(34 272)</u>	<u>(239 713)</u>
Other Financing Sources (Uses):			
Debt proceeds	-	-	131 814
Transfers in (out)	23 000	(6 000)	(6 000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>23 000</u>	<u>(6 000)</u>	<u>125 814</u>
NET CHANGE IN FUND BALANCES	396 602	(40 272)	(113 899)
Fund balance, beginning	<u>3 585 997</u>	<u>1 230 207</u>	<u>877 623</u>
FUND BALANCE, ENDING	<u>\$ 3 982 599</u>	<u>\$ 1 189 935</u>	<u>\$ 763 724</u>

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>
\$	-	\$ -	\$ -	\$ 3 071 450
	-	-	72 151	490 621
	112 822	117 334	56 176	883 154
	15 925	16 160	4 748	161 900
	134 484	139 855	189 943	1 470 012
	11 653	35 430	-	285 220
	<u>274 884</u>	<u>308 779</u>	<u>323 018</u>	<u>6 362 357</u>
	-	-	71 331	1 044 688
	-	-	994	593 733
	-	-	-	151 719
	-	-	20 500	1 661 569
	366 083	627 670	224 254	2 044 318
	-	-	-	671 970
	-	-	-	19 867
	-	-	-	479 027
	<u>366 083</u>	<u>627 670</u>	<u>317 079</u>	<u>6 666 891</u>
	<u>(91 199)</u>	<u>(318 891)</u>	<u>5 939</u>	<u>(304 534)</u>
	-	261 250	-	393 064
	<u>(31 000)</u>	<u>19 000</u>	<u>1 000</u>	<u>-</u>
	<u>(31 000)</u>	<u>280 250</u>	<u>1 000</u>	<u>393 064</u>
	(122 199)	(38 641)	6 939	88 530
	<u>776 296</u>	<u>930 086</u>	<u>337 501</u>	<u>7 737 710</u>
\$	<u><u>654 097</u></u>	\$ <u><u>891 445</u></u>	\$ <u><u>344 440</u></u>	\$ <u><u>7 826 240</u></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, 2019

EXHIBIT A-6

Net change in fund balances - Total governmental funds.	\$	88 530
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:		
Capital outlays are not reported as expenses in the SOA.		806 447
The depreciation of capital assets used in governmental activities is not reported in the funds.		(278 894)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		55 139
Proceeds from debt are not recognized in the SOA, but are in the funds.		(393 064)
Pension contributions made after the measurement date, but in current FY were de-expended and reduced NP.		148 415
Pension expense relating to GASB 68 is recorded in the SOA, but not in the funds.		<u>(359 476)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	\$	<u>67 097</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, 2019

EXHIBIT A-7

AGENCY
FUNDS

ASSETS

Restricted Assets:

Cash and cash equivalents

TOTAL ASSETS

\$ 1 530 518
\$ 1 530 518

LIABILITIES

Accounts payable

Due to governmental funds

Due to other beneficiaries

TOTAL LIABILITIES

\$ 3 272
449 577
1 077 669
\$ 1 530 518

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, 2019

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.

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.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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 \$168,458 at December 31.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 any 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.

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, 2019

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.

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).

SABINE COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 For the Year Ended December 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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/Non Departmental	\$ 100 880

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

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 \$9,152,303 and the bank balance was \$9,294,422. 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.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

III. DEPOSITS AND INVESTMENTS - CONTINUED

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:

INVESTMENT OR INVESTMENT TYPE	MATURITY	FAIR VALUE
Certificates of deposit - Road & Bridge 1	< 1 year	\$ 839 065
Certificates of deposit - Road & Bridge 2	< 1 year	435 785
Certificates of deposit - Road & Bridge 3	< 1 year	435 785
Certificates of deposit - Road & Bridge 4	< 1 year	385 550
LOGIC Investment Pool	N/A	1 543 393
TOTAL INVESTMENTS		\$ <u>3 639 578</u>

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.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

III. DEPOSITS AND INVESTMENTS - CONTINUED

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.

IV. CAPITAL ASSETS

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

	<u>BALANCE</u> <u>12/31/2018</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>12/31/2019</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 120 714	\$ -	\$ -	\$ 120 714
Construction in progress	-	76 854	-	76 854
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>120 714</u>	<u>76 854</u>	<u>-</u>	<u>197 568</u>
Capital Assets Being Depreciated:				
Buildings and improvement	1 216 026	39 540	-	1 255 566
Equipment	3 411 948	411 552	(69 340)	3 754 160
Vehicles	913 973	88 558	(71 367)	931 164
Infrastructure	5 166 621	189 943	-	5 356 564
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>10 708 568</u>	<u>729 593</u>	<u>(140 707)</u>	<u>11 297 454</u>
Less Accumulated Depreciation For:				
Buildings and improvement	(924 732)	(34 021)	-	(958 753)
Equipment	(3 135 121)	(100 985)	69 340	(3 166 766)
Vehicles	(802 954)	(34 699)	71 367	(766 286)
Infrastructure	(4 068 966)	(109 189)	-	(4 178 155)
TOTAL ACCUMULATED DEPRECIATION	<u>(8 931 773)</u>	<u>(278 894)</u>	<u>140 707</u>	<u>(9 069 960)</u>
TOTAL NET CAPITAL ASSETS BEING DEPRECIATED	<u>1 776 795</u>	<u>450 699</u>	<u>-</u>	<u>2 227 494</u>
NET GOVERNMENTAL ACTIVITIES CAPITAL ASSETS	<u>\$ 1 897 509</u>	<u>\$ 527 553</u>	<u>\$ -</u>	<u>\$ 2 425 062</u>

Depreciation was charged to functions as follows:

General government	\$ 43 754
Judicial	31 892
Legal	7 321
Public safety	86 790
Highways and streets	75 607
Financial administration	32 653
Conservation	877
	<u>\$ 278 894</u>

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

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	\$ 435 267	Pending transfer of fees
Agency Funds	Road & Bridge Fund	4 952	Pending transfer of fees
Agency Funds	Special Revenue Fund	<u>4 586</u>	Pending transfer between funds
		<u>\$ 449 577</u>	

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

Transfers To and From Other Funds

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

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
R&B Fund #1	R&B Special Fund	\$ 6 000	Debt service payment
R&B Fund #2	R&B Special Fund	6 000	Debt service payment
R&B Fund #3	R&B Special Fund	31 000	Debt service/equip payment
R&B Fund #4	R&B Special Fund	6 000	Debt service payment
County Clerk Archive Fund	General Fund	<u>23 000</u>	Reimburse fees
		<u>\$ 72 000</u>	

VI. LONG-TERM DEBT

During the year ending December 31, 2019, the County leased a 2019 John Deere Motor Grader for \$131,814 at 3.99% interest with payments of \$18,000 to \$80,819 per year and a 2019 Mack Dump Truck for \$261,250 at 3.80% interest with payments of \$48,013 to \$148,014 per year.

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>PAYMENTS</u>	<u>ENDING BALANCE</u>	<u>CURRENT PORTION</u>
2019 Dump Truck	\$ -	\$ 261 250	\$ -	\$ 261 250	\$ 38 087
2019 Motor Grader	-	131 814	-	131 814	12 741
	<u>\$ -</u>	<u>\$ 393 064</u>	<u>\$ -</u>	<u>\$ 393 064</u>	<u>\$ 50 828</u>
		<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	
2020	\$	50 828	\$ 15 187	\$ 66 015	
2021		52 782	13 231	66 013	
2022		54 813	11 200	66 013	
2023		156 922	9 092	166 014	
2024		<u>77 719</u>	<u>3 100</u>	<u>80 819</u>	
	<u>\$</u>	<u>393 064</u>	<u>\$ 51 810</u>	<u>\$ 444 874</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.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

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.

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	8.00%
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, 2017 actuarial valuation analysis for Sabine County. This information may also be found in the Sabine County December 31, 2018 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.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

VIII. PENSION PLAN - CONTINUED

- 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.

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.

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.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

VIII. PENSION PLAN - CONTINUED

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, 2019

VIII. 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, 2019

VIII. 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 2019 information for a 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 2018. 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	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities - Developed Markets	MSCI World Ex USA (net) Index	10.00%	5.40%
International Equities - Emerging Markets	MSCI EM Standard (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	7.20%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFR1) Fund of Funds Composite Index	13.00%	3.90%

(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 1.70%, per Cliffwater's 2019 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.

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.

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

VIII. PENSION PLAN - CONTINUED

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.

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	\$ 9 259 504	\$ 8 264 325	\$ 7 418 521
Fiduciary net position	\$ 7 818 685	\$ 7 818 685	\$ 7 818 685
Net pension liability/(asset)	\$ 1 440 819	\$ 445 640	\$ (400 164)

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

VIII. PENSION PLAN - CONTINUED

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, 2017	\$ 7 689 526	\$ 8 028 158	\$ (338 632)
Changes for the Year:			
Service cost	283 980	-	283 980
Interest on total pension liability ⁽¹⁾	631 233	-	631 233
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	27 770	-	27 770
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(5 179)	(5 179)	-
Benefit payments	(363 005)	(363 005)	-
Administrative expenses	-	(6 280)	6 280
Member contributions	-	177 399	(177 399)
Net investment income	-	(150 147)	150 147
Employer contributions	-	138 491	(138 491)
Other ⁽³⁾	-	(752)	752
Balances as of December 31, 2018	<u>\$ 8 264 325</u>	<u>\$ 7 818 685</u>	<u>\$ 445 640</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.

Pension Expense/(Income)

Pension Expense/(Income)	January 1, 2018 to December 31, 2018
Service cost	\$ 283 980
Interest on total pension liability ⁽¹⁾	631 233
Effect of plan changes	-
Administrative expenses	6 280
Member contributions	(177 399)
Expected investment return net of investment expenses	(647 925)
Recognition of Deferred Inflows/Outflows of Resources:	
Recognition of economic/demographic gains or losses	(10 885)
Recognition of assumption changes or inputs	36 995
Recognition of investment gains or losses	207 217
Other ⁽²⁾	752
PENSION EXPENSE/(INCOME)	<u>\$ 330 248</u>

(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, 2019, 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	\$ 11 679	\$ 33 407
Change of assumptions	-	31 768
Difference between projected and actual earnings	278 743	772 994
Contributions made subsequent to measurement date	-	148 415
	<u>\$ 290 422</u>	<u>\$ 986 584</u>

SABINE COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
For the Year Ended December 31, 2019

VIII. PENSION PLAN - CONTINUED

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:

<u>Year Ended December 31,</u>		
2019	\$	208 578
2020	\$	105 916
2021	\$	73 641
2022	\$	159 612
Thereafter	\$	-

Membership Information

<u>Membership Class</u>	
Inactive employees entitled to but not yet receiving benefits	44
Active employees	72
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

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

As of December 31, 2019, the County has pending litigation, however, the County does not expect any claims to exceed existing insurance coverage.

XI. SUBSEQUENT EVENTS

Subsequent to the year ended December 31, 2019, the United States and local area were affected by the COVID-19 virus. The effect on future operations and revenues is unknown as of the issuance of these statements.

Management has evaluated subsequent events through June 22, 2020, the date when the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2019

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Taxes:				
Property taxes	\$ 3 008 313	\$ 3 008 313	\$ 3 071 450	\$ 63 137
Sales taxes	340 000	340 000	414 526	74 526
Other taxes	2 500	2 500	3 944	1 444
TOTAL TAXES	3 350 813	3 350 813	3 489 920	139 107
Intergovernmental:				
Tax collection fees	66 850	66 850	87 972	21 122
Federal forest program	-	958 055	479 028	(479 027)
Salary supplements	64 119	64 119	81 071	16 952
Other grants	32 600	96 372	94 062	(2 310)
TOTAL INTERGOVERNMENTAL	163 569	1 185 396	742 133	(443 263)
Fines and Fees:				
Fees of office	221 650	221 650	226 825	5 175
Other fines and fees	107 000	107 000	148 867	41 867
TOTAL FINES AND FEES	328 650	328 650	375 692	47 042
Interest				
	43 000	43 000	84 206	41 206
Other Income:				
Miscellaneous	52 800	52 800	211 399	158 599
TOTAL OTHER INCOME	52 800	52 800	211 399	158 599
TOTAL REVENUES	3 938 832	4 960 659	4 903 350	(57 309)
Expenditures:				
General Administration Expenditures:				
County Judge:				
Salary	100 597	100 598	100 597	1
Benefits	31 516	31 554	31 529	25
Office, postage and copier	1 175	1 145	702	443
Insurance	400	400	4	396
Continuing education	2 500	2 500	1 549	951
Capital outlays	500	491	190	301
TOTAL COUNTY JUDGE	136 688	136 688	134 571	2 117
County Clerk:				
Salary	174 324	179 290	170 709	8 581
Benefits	68 386	68 386	63 729	4 657
Office, postage and copier	5 150	6 793	5 318	1 475
Maintenance	20 000	16 434	16 157	277
Insurance	700	700	670	30
Continuing education	4 000	4 000	2 393	1 607
Capital outlay	1 000	1 400	1 400	-
Election cost	18 000	15 557	14 020	1 537
Library cost	2 000	1 000	828	172
TOTAL COUNTY CLERK	293 560	293 560	275 224	18 336
Veteran Affairs:				
Salary	16 100	16 100	14 611	1 489
Benefits	2 207	2 207	1 988	219
Car allowance and travel	500	500	-	500
Office, postage and copier	500	451	261	190
Maintenance	449	449	-	449
Capital outlay	400	449	449	-
Continuing education	2 000	2 000	-	2 000
TOTAL VETERAN AFFAIRS	22 156	22 156	17 309	4 847

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - CONTINUED
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2019

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Courthouse:				
Salary	24 144	17 425	14 364	3 061
Benefits	12 243	11 324	7 328	3 996
Office, postage and copier	3 500	3 500	2 984	516
Utilities	35 000	34 900	34 454	446
Maintenance	40 000	46 719	46 719	-
TOTAL COURTHOUSE	<u>114 887</u>	<u>113 868</u>	<u>105 849</u>	<u>8 019</u>
Non Departmental:				
Benefits	27 000	27 000	13 625	13 375
Office, postage and copier	48 500	50 610	107 757	(57 147)
Maintenance	9 500	16 756	16 755	1
Insurance	25 000	25 000	23 298	1 702
Professional fees	70 000	70 000	59 056	10 944
Senior citizen assistance	15 000	15 000	15 000	-
Burke Center	9 602	9 602	9 602	-
Child safety instruction	2 000	2 000	2 000	-
Emergency and ambulance services	10 000	10 000	10 000	-
Autopsy fees	20 000	20 000	10 150	9 850
Library	10 000	10 000	10 000	-
Historical and cultural	150	150	150	-
Pineywoods SWCD #429	-	1 100	1 100	-
Sabine County Farmers Market	-	-	10 000	(10 000)
Miscellaneous	7 000	8 000	22 900	(14 900)
Continuing education	-	-	2 386	(2 386)
Record management fees	1 500	1 446	5 651	(4 205)
Law library supplies	-	-	13 966	(13 966)
Capital outlays	35 000	58 760	92 908	(34 138)
TOTAL NON DEPARTMENTAL	<u>290 252</u>	<u>325 424</u>	<u>426 304</u>	<u>(100 880)</u>
Solid Waste:				
Miscellaneous	-	14 932	14 100	832
TOTAL SOLID WASTE	<u>-</u>	<u>14 932</u>	<u>14 100</u>	<u>832</u>
TOTAL GENERAL GOVERNMENT	<u>857 543</u>	<u>906 628</u>	<u>973 357</u>	<u>(66 729)</u>
Judicial Expenditures:				
County Court At Law:				
Court appointed attorney	9 000	9 000	8 950	50
Jury and court costs	5 000	5 000	1 037	3 963
TOTAL COUNTY COURT AT LAW	<u>14 000</u>	<u>14 000</u>	<u>9 987</u>	<u>4 013</u>
District Court:				
Salary	72 069	72 069	58 119	13 950
Benefits	18 275	19 275	18 271	1 004
Car allowance and travel	2 000	2 000	1 787	213
Office, postage and copier	2 000	7 340	7 340	-
Court appointed attorneys	100 000	100 660	75 219	25 441
Jury and court costs	28 000	16 788	6 502	10 286
TOTAL DISTRICT COURT	<u>222 344</u>	<u>218 132</u>	<u>167 238</u>	<u>50 894</u>
District Attorney:				
Salary	61 446	61 447	60 234	1 213
Benefits	25 826	25 826	25 614	212
Office, postage and copier	1 750	1 731	736	995
Maintenance	500	500	84	416
Insurance	-	18	18	-
Continuing education	2 500	2 500	1 004	1 496
TOTAL DISTRICT ATTORNEY	<u>92 022</u>	<u>92 022</u>	<u>87 690</u>	<u>4 332</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, 2019

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
District Clerk:				
Salary	91 532	91 474	76 102	15 372
Benefits	30 308	30 346	28 282	2 064
Office, postage and copier	4 650	4 670	2 485	2 185
Maintenance	8 000	8 000	5 000	3 000
Insurance	300	300	189	111
Continuing education	3 500	3 500	2 445	1 055
Capital outlay	1 000	1 000	-	1 000
TOTAL DISTRICT CLERK	<u>139 290</u>	<u>139 290</u>	<u>114 503</u>	<u>24 787</u>
Justice of the Peace #1:				
Salary	76 636	76 636	76 636	-
Benefits	22 339	21 904	19 539	2 365
Car, allowance and travel	300	300	-	300
Office, postage and copier	1 650	1 869	1 869	-
Maintenance	6 000	6 000	5 615	385
Insurance	200	200	4	196
Continuing education	2 600	2 816	2 816	-
Jury costs	100	100	-	100
Capital outlay	1 000	1 000	192	808
TOTAL JUSTICE OF THE PEACE #1	<u>110 825</u>	<u>110 825</u>	<u>106 671</u>	<u>4 154</u>
Justice of the Peace #2:				
Salary	75 716	75 716	75 716	-
Benefits	19 218	19 302	19 276	26
Car, allowance and travel	300	300	291	9
Office, postage and copier	1 260	1 260	1 058	202
Maintenance	6 000	5 626	5 615	11
Insurance	200	200	4	196
Continuing education	4 000	4 690	4 690	-
Capital outlay	400	-	-	-
Jury and court costs	100	100	-	100
TOTAL JUSTICE OF THE PEACE #2	<u>107 194</u>	<u>107 194</u>	<u>106 650</u>	<u>544</u>
TOTAL JUDICIAL EXPENDITURES	<u>685 675</u>	<u>681 463</u>	<u>592 739</u>	<u>88 724</u>
Legal:				
County Attorney:				
Salary	112 851	112 851	111 692	1 159
Benefits	33 170	33 208	33 184	24
Office, postage and copier	1 600	1 657	1 439	218
Maintenance	4 700	4 700	4 115	585
Insurance	200	200	4	196
Continuing education	1 500	1 500	1 285	215
Capital outlay	500	405	-	405
TOTAL COUNTY ATTORNEY	<u>154 521</u>	<u>154 521</u>	<u>151 719</u>	<u>2 802</u>
TOTAL LEGAL	<u>154 521</u>	<u>154 521</u>	<u>151 719</u>	<u>2 802</u>
Public Safety:				
Constable Precinct #1:				
Salary	12 000	12 168	12 168	-
Benefits	10 560	10 583	10 537	46
Fuel, oil and tires	1 800	1 609	-	1 609
Insurance	200	200	50	150
Capital outlay	300	300	35	265
TOTAL CONSTABLE PRECINCT #1	<u>24 860</u>	<u>24 860</u>	<u>22 790</u>	<u>2 070</u>
Constable Precinct #2:				
Salary	12 000	12 000	-	12 000
Benefits	10 560	10 560	-	10 560
Fuel, oil and tires	1 800	1 800	-	1 800
Insurance	200	200	-	200
Capital outlay	300	300	-	300
TOTAL CONSTABLE PRECINCT #2	<u>24 860</u>	<u>24 860</u>	<u>-</u>	<u>24 860</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, 2019

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Sheriff:				
Salary	787 088	734 993	714 964	20 029
Benefits	285 020	254 617	246 636	7 981
Car, allowance and travel	18 040	18 040	10 384	7 656
Office, postage and copier	25 950	26 406	20 519	5 887
Utilities	36 000	36 000	32 634	3 366
Fuel, oil and tires	50 000	50 000	45 112	4 888
Maintenance	36 000	44 598	40 112	4 486
Insurance	21 150	24 069	23 156	913
Continuing education	3 500	3 500	1 531	1 969
Equipment leasing	23 000	23 000	16 650	6 350
Prisoner housing costs	211 000	196 360	137 864	58 496
Capital outlay	60 000	144 944	139 928	5 016
TOTAL SHERIFF	<u>1 556 748</u>	<u>1 556 527</u>	<u>1 429 490</u>	<u>127 037</u>
Probation:				
Office, postage and copier	1 000	1 000	844	156
Probation fees	16 059	16 056	16 059	(3)
TOTAL PROBATION	<u>17 059</u>	<u>17 056</u>	<u>16 903</u>	<u>153</u>
Emergency Management Coordinator:				
Salary	17 000	17 000	16 992	8
Benefits	2 422	2 422	2 911	(489)
Car, allowance and travel	1 600	2 323	1 723	600
Office, postage and copier	500	230	70	160
Continuing education	1 500	1 047	1 047	-
Professional fees	24 000	28 212	28 211	1
Capital outlay	1 000	1 000	813	187
TOTAL EMERGENCY MANAGEMENT COORDINATOR	<u>48 022</u>	<u>52 234</u>	<u>51 767</u>	<u>467</u>
9-1-1:				
Salary	44 000	41 065	40 477	588
Benefits	6 001	14 219	13 883	336
Car, allowance and travel	500	500	102	398
Office, postage and copier	2 000	2 000	886	1 114
Continuing education	3 500	3 649	3 649	-
Other charges	-	-	995	(995)
Capital outlay	10 000	5 487	5 486	1
TOTAL 9-1-1	<u>66 001</u>	<u>66 920</u>	<u>65 478</u>	<u>1 442</u>
DARE Program:				
Office, postage and copier	9 100	8 790	5 481	3 309
TOTAL DARE PROGRAM	<u>9 100</u>	<u>8 790</u>	<u>5 481</u>	<u>3 309</u>
Specialized Drug Investigator Grant:				
Salary	-	36 661	36 659	2
Benefits	-	12 502	12 501	1
TOTAL SPECIALIZED DRUG INVESTIGATOR GRANT	<u>-</u>	<u>49 163</u>	<u>49 160</u>	<u>3</u>
TOTAL PUBLIC SAFETY	<u>1 746 650</u>	<u>1 800 410</u>	<u>1 641 069</u>	<u>159 341</u>
Financial Administration:				
County Auditor:				
Salary	45 162	45 162	45 162	-
Benefits	15 100	15 120	15 101	19
Office, postage and copier	750	622	404	218
Insurance	100	100	50	50
Continuing education	3 000	3 108	3 107	1
Capital outlay	300	300	-	300
TOTAL COUNTY AUDITOR	<u>64 412</u>	<u>64 412</u>	<u>63 824</u>	<u>588</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, 2019

EXHIBIT B-1

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
County Treasurer:				
Salary	107 578	106 954	106 092	862
Benefits	41 420	41 477	41 375	102
Office, postage and copier	4 800	4 886	4 676	210
Insurance	750	750	250	500
Maintenance	3 500	1 123	924	199
Continuing education	3 800	3 800	3 393	407
Capital outlay	3 050	5 908	5 605	303
TOTAL COUNTY TREASURER	<u>164 898</u>	<u>164 898</u>	<u>162 315</u>	<u>2 583</u>
Tax Assessor/Collector:				
Salary	203 205	199 705	193 290	6 415
Benefits	81 251	81 364	80 283	1 081
Car, allowance and travel	300	300	-	300
Office, postage and copier	6 800	6 800	5 658	1 142
Insurance	1 600	1 600	125	1 475
Continuing education	6 000	6 000	5 130	870
Appraisal district payments	124 000	124 000	116 697	7 303
Equipment leasing	40 000	40 000	37 125	2 875
Other charges	4 640	8 027	7 523	504
TOTAL TAX ASSESSOR/COLLECTOR	<u>467 796</u>	<u>467 796</u>	<u>445 831</u>	<u>21 965</u>
TOTAL FINANCIAL ADMINISTRATION	<u>697 106</u>	<u>697 106</u>	<u>671 970</u>	<u>25 136</u>
Conservation:				
County Agent:				
Salary	10 026	10 026	10 026	-
Benefits	1 180	1 180	1 164	16
Car, allowance and travel	7 500	7 501	7 500	1
Office, postage and copier	1 500	1 499	1 177	322
TOTAL COUNTY AGENT	<u>20 206</u>	<u>20 206</u>	<u>19 867</u>	<u>339</u>
TOTAL CONSERVATION	<u>20 206</u>	<u>20 206</u>	<u>19 867</u>	<u>339</u>
Pass-through to Other Entities:				
Federal forest payments to schools	-	479 027	479 027	-
TOTAL PASS-THROUGH TO OTHER ENTITIES	<u>-</u>	<u>479 027</u>	<u>479 027</u>	<u>-</u>
TOTAL EXPENDITURES	<u>4 161 701</u>	<u>4 739 361</u>	<u>4 529 748</u>	<u>209 613</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(222 869)</u>	<u>221 298</u>	<u>373 602</u>	<u>152 304</u>
Other Financing Sources (Uses):				
Transfer in	29 900	29 900	23 000	(6 900)
TOTAL OTHER FINANCING SOURCES (USES)	<u>29 900</u>	<u>29 900</u>	<u>23 000</u>	<u>(6 900)</u>
NET CHANGE IN FUND BALANCES	<u>(192 969)</u>	<u>251 198</u>	<u>396 602</u>	<u>145 404</u>
Fund balance, beginning	3 585 997	3 585 997	3 585 997	-
FUND BALANCE, ENDING	<u>\$ 3 393 028</u>	<u>\$ 3 837 195</u>	<u>\$ 3 982 599</u>	<u>\$ 145 404</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, 2019

EXHIBIT B-2

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental:				
Lateral road fees	\$ 4 400	\$ 4 400	\$ 4 436	\$ 36
Federal forest funds	50 000	50 000	114 962	64 962
Other grants	-	-	194	194
Payments in lieu of taxes	8 500	8 500	9 521	1 021
TOTAL INTERGOVERNMENTAL	62 900	62 900	129 113	66 213
Fines and Fees:				
License and permits	110 000	110 000	108 308	(1 692)
TOTAL FINES AND FEES	110 000	110 000	108 308	(1 692)
Interest				
	15 000	15 000	24 701	9 701
Other Income:				
Material reimbursement	4 100	4 100	4 032	(68)
Miscellaneous	7 000	7 000	7 942	942
TOTAL OTHER INCOME	11 100	11 100	11 974	874
TOTAL REVENUES	199 000	199 000	274 096	75 096
Expenditures:				
Road and Bridge:				
Salary	158 601	166 601	159 793	6 808
Benefits	65 835	66 444	65 163	1 281
Car, allowance and travel	9 600	9 600	9 600	-
Road material	71 600	71 600	35 779	35 821
Office, postage and copier	4 000	4 021	2 540	1 481
Utilities	4 800	4 800	3 449	1 351
Fuel, oil and tires	33 000	32 087	22 074	10 013
Maintenance	30 500	22 500	2 458	20 042
Insurance	6 600	6 533	6 130	403
Continuing education	1 500	1 500	1 382	118
Equipment leasing	7 500	7 500	-	7 500
Capital outlay	20 000	20 000	-	20 000
TOTAL EXPENDITURES	413 536	413 186	308 368	104 818
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(214 536)	(214 186)	(34 272)	179 914
Other Financing Sources (Uses):				
Transfers in (out)	-	-	(6 000)	(6 000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(6 000)	(6 000)
NET CHANGE IN FUND BALANCES				
	(214 536)	(214 186)	(40 272)	173 914
Fund balances, beginning				
	1 230 207	1 230 207	1 230 207	-
FUND BALANCES, ENDING				
	\$ 1 015 671	\$ 1 016 021	\$ 1 189 935	\$ 173 914

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, 2019

EXHIBIT B-3

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental:				
Lateral road fees	\$ 4 600	\$ 4 600	\$ 4 620	\$ 20
Federal forest funds	50 000	50 000	119 752	69 752
Other grants	-	-	194	194
Payments in lieu of taxes	9 000	9 000	9 918	918
TOTAL INTERGOVERNMENTAL	63 600	63 600	134 484	70 884
Fines and Fees:				
License and permits	114 000	114 000	112 822	(1 178)
TOTAL FINES AND FEES	114 000	114 000	112 822	(1 178)
Interest				
	10 000	10 000	16 160	6 160
Other Income:				
Material reimbursement	10 100	10 100	6 459	(3 641)
Miscellaneous	8 000	8 000	8 305	305
TOTAL OTHER INCOME	18 100	18 100	14 764	(3 336)
TOTAL REVENUES	205 700	205 700	278 230	72 530
Expenditures:				
Road and Bridge:				
Salary	159 728	165 256	153 151	12 105
Benefits	66 005	66 005	62 572	3 433
Car, allowance and travel	9 600	9 600	9 600	-
Road material	133 600	125 553	93 296	32 257
Office, postage and copier	3 050	3 538	2 198	1 340
Utilities	2 000	2 000	1 088	912
Fuel, oil and tires	46 000	46 000	33 975	12 025
Maintenance	30 000	31 898	12 839	19 059
Insurance	4 300	4 433	3 826	607
Continuing education	1 500	1 500	1 264	236
Equipment leasing	7 500	7 500	-	7 500
Capital outlay	20 000	20 000	144 134	(124 134)
TOTAL EXPENDITURES	483 283	483 283	517 943	(34 660)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(277 583)	(277 583)	(239 713)	37 870
Other Financing Sources (Uses):				
Debt proceeds	-	-	131 814	131 814
Transfers in (out)	-	-	(6 000)	(6 000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	125 814	125 814
NET CHANGE IN FUND BALANCES				
	(277 583)	(277 583)	(113 899)	163 684
Fund balances, beginning				
	877 623	877 623	877 623	-
FUND BALANCES, ENDING				
	\$ 600 040	\$ 600 040	\$ 763 724	\$ 163 684

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, 2019

EXHIBIT B-4

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental:				
Lateral road fees	\$ 4 600	\$ 4 600	\$ 4 620	\$ 20
Federal forest funds	50 000	50 000	119 752	69 752
Other grants	-	-	194	194
Payments in lieu of taxes	9 000	9 000	9 918	918
TOTAL INTERGOVERNMENTAL	63 600	63 600	134 484	70 884
Fines and Fees:				
License and permits	114 000	114 000	112 822	(1 178)
TOTAL FINES AND FEES	114 000	114 000	112 822	(1 178)
Interest				
	10 000	10 000	15 925	5 925
Other Income:				
Material reimbursement	1 050	1 050	1 898	848
Miscellaneous	6 000	6 000	9 755	3 755
TOTAL OTHER INCOME	7 050	7 050	11 653	4 603
TOTAL REVENUES	194 650	194 650	274 884	80 234
Expenditures:				
Road and Bridge:				
Salary	173 528	179 528	162 148	17 380
Benefits	58 910	41 910	38 773	3 137
Car, allowance and travel	9 600	9 600	9 600	-
Road material	132 550	111 283	78 895	32 388
Office, postage and copier	3 150	3 150	1 688	1 462
Utilities	2 900	3 200	2 299	901
Fuel, oil and tires	44 000	34 958	28 954	6 004
Maintenance	24 000	40 009	32 759	7 250
Insurance	5 100	5 100	4 059	1 041
Continuing education	1 500	1 500	1 264	236
Equipment leasing	7 500	7 500	-	7 500
Capital outlay	20 000	45 000	5 644	39 356
TOTAL EXPENDITURES	482 738	482 738	366 083	116 655
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(288 088)	(288 088)	(91 199)	196 889
Other Financing Sources (Uses):				
Transfers in (out)	-	-	(31 000)	(31 000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(31 000)	(31 000)
NET CHANGE IN FUND BALANCES				
	(288 088)	(288 088)	(122 199)	165 889
Fund balances, beginning				
	776 296	776 296	776 296	-
FUND BALANCES, ENDING				
	\$ 488 208	\$ 488 208	\$ 654 097	\$ 165 889

See independent auditors' report.

SABINE COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE #4
For the Year Ended December 31, 2019

EXHIBIT B-5

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
Revenues:				
Intergovernmental:				
Lateral road fees	\$ 4 800	\$ 4 800	\$ 4 805	\$ 5
Federal forest funds	50 000	50 000	124 542	74 542
Other grants	-	-	194	194
Payments in lieu of taxes	9 400	9 400	10 314	914
TOTAL INTERGOVERNMENTAL	64 200	64 200	139 855	75 655
Fines and Fees:				
License and permits	120 000	120 000	117 334	(2 666)
TOTAL FINES AND FEES	120 000	120 000	117 334	(2 666)
Interest				
	10 000	10 000	16 160	6 160
Other Income:				
Material reimbursement	4 100	4 100	12 608	8 508
Miscellaneous	6 000	6 000	22 822	16 822
TOTAL OTHER INCOME	10 100	10 100	35 430	25 330
TOTAL REVENUES	204 300	204 300	308 779	104 479
Expenditures:				
Road and Bridge:				
Salary	170 412	172 304	135 034	37 270
Benefits	67 445	67 445	50 916	16 529
Car, allowance and travel	9 600	9 600	9 600	-
Road material	139 100	147 448	113 227	34 221
Office, postage and copier	3 250	3 313	1 936	1 377
Utilities	2 800	2 800	1 493	1 307
Fuel, oil and tires	40 000	40 869	34 792	6 077
Maintenance	19 500	19 500	5 625	13 875
Insurance	5 250	5 262	4 437	825
Continuing education	3 000	3 095	3 094	1
Equipment leasing	7 500	7 500	-	7 500
Capital outlay	20 000	8 721	267 516	(258 795)
TOTAL EXPENDITURES	487 857	487 857	627 670	(139 813)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(283 557)	(283 557)	(318 891)	(35 334)
Other Financing Sources (Uses):				
Debt proceeds	-	-	261 250	261 250
Transfers in (out)	-	-	19 000	19 000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	280 250	280 250
NET CHANGE IN FUND BALANCES				
	(283 557)	(283 557)	(38 641)	244 916
Fund balances, beginning				
	930 086	930 086	930 086	-
FUND BALANCES, ENDING				
	\$ 646 529	\$ 646 529	\$ 891 445	\$ 244 916

See independent auditors' report.

SABINE COUNTY, TEXAS
NOTES TO BUDGETARY SCHEDULES
For the Year Ended December 31, 2019

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, 2019.

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

EXHIBIT B-6

	2018	2017	2016	2015	2014
Total Pension Liability:					
Service cost	\$ 283 980	\$ 272 744	\$ 280 221	\$ 244 579	\$ 239 179
Interest (on the total pension liability)	631 233	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	27 770	25 160	(46 710)	84 442	-
Benefit payments/refunds of contributions	<u>(368 184)</u>	<u>(397 244)</u>	<u>(339 100)</u>	<u>(309 345)</u>	<u>(245 616)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	574 799	548 907	435 211	441 560	513 136
Total pension liability - Beginning	<u>7 689 526</u>	<u>7 140 619</u>	<u>6 705 408</u>	<u>6 263 848</u>	<u>5 750 712</u>
 TOTAL PENSION LIABILITY - ENDING	 <u>8 264 325</u>	 <u>7 689 526</u>	 <u>7 140 619</u>	 <u>6 705 408</u>	 <u>6 263 848</u>
 Fiduciary Net Position:					
Contributions - Employer	138 491	127 547	125 756	119 460	109 848
Contributions - Member	177 399	161 451	153 362	149 860	138 797
Investment income net of investment expenses	(150 147)	1 035 711	489 008	(20 944)	436 792
Benefit payments/refunds of contributions	(368 184)	(397 244)	(312 286)	(309 344)	(245 617)
Administrative expenses	(6 280)	(5 340)	(5 385)	(4 839)	(5 038)
Other	<u>(752)</u>	<u>(1 501)</u>	<u>(43 831)</u>	<u>10 013</u>	<u>(3 831)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(209 473)	920 624	406 624	(55 794)	430 951
Plan fiduciary net position - Beginning	<u>8 028 158</u>	<u>7 107 534</u>	<u>6 700 910</u>	<u>6 756 704</u>	<u>6 325 753</u>
 PLAN FIDUCIARY NET POSITION - ENDING	 <u>7 818 685</u>	 <u>8 028 158</u>	 <u>7 107 534</u>	 <u>6 700 910</u>	 <u>6 756 704</u>
 NET PENSION LIABILITY (ASSET) - ENDING	 <u>\$ 445 640</u>	 <u>\$ (338 632)</u>	 <u>\$ 33 085</u>	 <u>\$ 4 498</u>	 <u>\$ (492 856)</u>
 Plan fiduciary net position as a percentage of total pension liability	 94.61%	 104.40%	 99.54%	 99.93%	 (7.87)%
Covered employee payroll	\$ 2 396 038	\$ 2 306 448	\$ 2 190 879	\$ 2 140 860	\$ 1 982 820
Net pension liability as a percentage of covered employee payroll	18.60%	(14.68)%	1.51%	0.21%	(24.86)%

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

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%
2018	\$ 138 491	\$ 138 491	\$ -	\$ 2 396 038	5.8%

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

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, 2019

	<u>APPELLATE JUDICIAL SYSTEM FUND</u>	<u>DISTRICT CLERK RECORD ARCHIVE FEE FUND</u>	<u>CONVENTION CENTER BUILDING</u>	<u>RECORD RETENTION FUND</u>
ASSETS				
Cash and investments	\$ 19	\$ 4 021	\$ 75 536	\$ 83 242
Other receivables	-	-	-	-
Due from other funds	60	105	-	1 890
TOTAL ASSETS	<u>\$ 79</u>	<u>\$ 4 126</u>	<u>\$ 75 536</u>	<u>\$ 85 132</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 79	\$ -	\$ -	\$ -
TOTAL LIABILITIES	<u>79</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balances:				
Restricted Fund Balance:				
Road and bridge maintenance	-	-	-	-
Hotel/motel tax	-	-	-	-
Federal and state grants	-	-	-	-
Construction	-	-	75 536	-
Record retention	-	4 126	-	85 132
TOTAL FUND BALANCES	<u>-</u>	<u>4 126</u>	<u>75 536</u>	<u>85 132</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 79</u>	 <u>\$ 4 126</u>	 <u>\$ 75 536</u>	 <u>\$ 85 132</u>

See independent auditors' report.

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
\$ 112 101	\$ 4 625	\$ 21 982	\$ 30 923	\$ 4 382	\$ -	\$ 336 831
8 124	-	-	-	-	-	8 124
-	180	-	1 810	541	-	4 586
<u>\$ 120 225</u>	<u>\$ 4 805</u>	<u>\$ 21 982</u>	<u>\$ 32 733</u>	<u>\$ 4 923</u>	<u>\$ -</u>	<u>\$ 349 541</u>
\$ -	\$ -	\$ 5 000	\$ -	\$ 22	\$ -	\$ 5 101
-	-	5 000	-	22	-	5 101
-	-	-	-	4 901	-	4 901
120 225	-	-	-	-	-	120 225
-	-	16 982	-	-	-	16 982
-	-	-	-	-	-	75 536
-	4 805	-	32 733	-	-	126 796
<u>120 225</u>	<u>4 805</u>	<u>16 982</u>	<u>32 733</u>	<u>4 901</u>	<u>-</u>	<u>344 440</u>
<u>\$ 120 225</u>	<u>\$ 4 805</u>	<u>\$ 21 982</u>	<u>\$ 32 733</u>	<u>\$ 4 923</u>	<u>\$ -</u>	<u>\$ 349 541</u>

SABINE COUNTY, TEXAS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
 For the Year Ended December 31, 2019

	APPELLATE JUDICIAL SYSTEM FUND	DISTRICT CLERK RECORD ARCHIVE FEE FUND	CONVENTION CENTER BUILDING	RECORD RETENTION FUND
Revenues:				
Fines and fees	\$ 920	\$ 1 503	\$ -	\$ 26 285
Other taxes	-	-	-	-
Grants and contributions	-	-	-	-
Interest	3	52	1 207	1 279
TOTAL REVENUES	923	1 555	1 207	27 564
Expenditures:				
General government	-	-	-	17 954
Judicial	994	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
TOTAL EXPENDITURES	994	-	-	17 954
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(71)	1 555	1 207	9 610
Other Financing Sources (Uses):				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	(71)	1 555	1 207	9 610
Fund balances, beginning	71	2 571	74 329	75 522
FUND BALANCES, ENDING	\$ -	\$ 4 126	\$ 75 536	\$ 85 132

See independent auditors' report.

EXHIBIT C-2

HOTEL/ MOTEL TAX FUND	DISTRICT CLERK SPECIAL FUND	FOREST SERVICE FUND	COUNTY CLERK ARCHIVE FUND	ROAD & BRIDGE SPECIAL FUND	CDBG #7214390 FIRST TIME WATER SERVICE GRANT	TOTAL SPECIAL REVENUE FUNDS
\$ -	\$ 2 083	\$ -	\$ 25 385	\$ -	\$ -	\$ 56 176
72 151	-	-	-	-	-	72 151
-	-	-	-	-	189 943	189 943
1 633	91	-	483	-	-	4 748
<u>73 784</u>	<u>2 174</u>	<u>-</u>	<u>25 868</u>	<u>-</u>	<u>189 943</u>	<u>323 018</u>
49 281	4 096	-	-	-	-	71 331
-	-	-	-	-	-	994
-	-	20 500	-	-	-	20 500
-	-	-	-	34 311	189 943	224 254
<u>49 281</u>	<u>4 096</u>	<u>20 500</u>	<u>-</u>	<u>34 311</u>	<u>189 943</u>	<u>317 079</u>
24 503	(1 922)	(20 500)	25 868	(34 311)	-	5 939
-	-	-	(23 000)	-	-	(23 000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24 000</u>	<u>-</u>	<u>24 000</u>
-	-	-	(23 000)	24 000	-	1 000
24 503	(1 922)	(20 500)	2 868	(10 311)	-	6 939
<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>120 225</u>	\$ <u>4 805</u>	\$ <u>16 982</u>	\$ <u>32 733</u>	\$ <u>4 901</u>	\$ <u>-</u>	\$ <u>344 440</u>

SABINE COUNTY, TEXAS
 COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 December 31, 2019

	TAX ASSESSOR- COLLECTOR FUND	COUNTY CLERK	DISTRICT CLERK	COUNTY SHERIFF
ASSETS				
Restricted cash	\$ 910 694	\$ 36 001	\$ 491 985	\$ 38 534
TOTAL ASSETS	\$ 910 694	\$ 36 001	\$ 491 985	\$ 38 534
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to County	420 536	-	-	-
Due to others	490 158	36 001	491 985	38 534
TOTAL LIABILITIES	\$ 910 694	\$ 36 001	\$ 491 985	\$ 38 534

See independent auditors' report.

<u>COUNTY ATTORNEY</u>	<u>TREASURER FEE ACCOUNT</u>	<u>OTHER</u>	<u>COMBINED FIDUCIARY FUNDS</u>
\$ 20 389	\$ 32 313	\$ 602	\$ 1 530 518
<u>\$ 20 389</u>	<u>\$ 32 313</u>	<u>\$ 602</u>	<u>\$ 1 530 518</u>
\$ -	\$ 3 272	\$ -	\$ 3 272
-	29 041	-	449 577
20 389	-	602	1 077 669
<u>\$ 20 389</u>	<u>\$ 32 313</u>	<u>\$ 602</u>	<u>\$ 1 530 518</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, 2019, and the related notes to the financial statements, which collectively comprise Sabine County, Texas' basic financial statements, and have issued our report thereon dated June 22, 2020.

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
June 22, 2020


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, 2019. 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, 2019.

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
June 22, 2020


CERTIFIED PUBLIC ACCOUNTANTS

SABINE COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2019

<u>GRANT/CONTRACT</u>	<u>FEDERAL CFDA NUMBER</u>	<u>CONTRACT NUMBER/ PASS - THROUGH GRANTOR'S NUMBER</u>	<u>TOTAL EXPENDITURES</u>
U. S. Department of the Interior:			
Payments in Lieu of Taxes	15.226	N/A	\$ <u>61 837</u>
TOTAL U. S. DEPARTMENT OF INTERIOR			<u>61 837</u>
U. S. Department of Homeland Security:			
Disaster Grant	97 036	N/A	<u>776</u>
TOTAL U. S. DEPARTMENT OF HOMELAND SECURITY			<u>776</u>
U. S. Department of Justice:			
Edward Bryne Memorial Justice Assistance Grant	16.738	N/A	48 942
Public Safety Partnership and Community Policing Grant	16.710	N/A	<u>6 977</u>
TOTAL U. S. DEPARTMENT OF JUSTICE			<u>55 919</u>
U. S. Department of Agriculture:			
Rural Development Grant	10.672	7214390	189 943
Schools and Roads Grant	10.666	N/A	<u>958 036</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			<u>1 147 979</u>
 TOTAL FEDERAL AWARDS			 \$ <u><u>1 266 511</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, 2019

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, 2019

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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
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