

REFUGIO COUNTY, TEXAS

Annual Financial Report

For the fiscal year ended

September 30, 2018

Refugio County, Texas  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2018

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## FINANCIAL SECTION

**BEYER & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Wayne R. Beyer, C.P.A.

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INDEPENDENT AUDITOR'S REPORT

To the County Judge and Commissioners' Court  
Refugio County, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Refugio County, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Refugio County, Texas' 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 Refugio County, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Road and Bridge Fund 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 and the Employees Retirement System Information on pages 4–12 and 66–69 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 Refugio County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the 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 and individual nonmajor fund financial statements and the 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 May 10, 2019, on our consideration of Refugio County, Texas' 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 solely 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 the effectiveness of Refugio County, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Refugio County, Texas' internal control over financial reporting and compliance.

*Wayne R. Beyer*

BEYER & COMPANY  
Certified Public Accountants  
May 10, 2019

## Management's Discussion and Analysis

As management of Refugio County, Texas, we offer readers of Refugio County, Texas' financial statements this narrative overview and analysis of the financial activities of Refugio County, Texas for the fiscal year ended September 30, 2018.

### Financial Highlights

- . The assets of Refugio County, Texas, exceeded its liabilities at the close of the most recent fiscal year by \$15,019,930 (net position). Of this amount, \$5,327,592 or 35% (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- . The government's total net position decreased by \$2,203,686. This decrease is mainly attributable to the FEMA (Hurricane Harvey) grant whereby expenses outpaced income by \$2,882,950. For the year, FEMA (Hurricane Harvey) grant and contribution income increased by \$5,103,759; but expenses increased by \$12,172,010. It should also be noted that the increase last year of \$4,353,231 was mainly attributable to a FEMA grant and contributions of \$4,226,250 for Hurricane Harvey.
- . Refugio County, Texas' total restricted net position at September 30, 2018 is \$4,012,101 or 27% of net position. This was a decrease of \$2,520,685 from the previous year. This decrease resulted from FEMA (Hurricane Harvey) expenses outpacing income by \$2,882,950.
- . Refugio County, Texas' total debt decreased by \$118,889 (30 percent) during the current fiscal year. The key factor in this decrease was the reduction of GASB 68 debt of \$74,457.

### Overview of the Financial Statements

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

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

The statement of net position presents information on all of Refugio County, Texas' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Refugio County, Texas is improving or deteriorating.

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

The government-wide financial statements distinguish functions of Refugio County, Texas that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of Refugio County, Texas include general administration, public safety, environmental protection, public transportation, health and welfare, public facilities, legal, elections, financial administration, conservation, capital projects, and culture and recreation. The business-type activities of Refugio County, Texas include the Internal Service Fund.

The government-wide financial statements include only Refugio County, Texas itself (known as the primary government).

The government-wide financial statements can be found on pages 13-14 of this report.

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

*Governmental funds:*

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

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

Refugio County, Texas maintains thirty-five (35) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road and Bridge Fund, the Sheriff Grant Fund, and the Hurricane Harvey Fund each of which are considered to be major funds. Data from the other thirty-one (31) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Refugio County, Texas adopts an annual appropriated budget for its General Fund and the Road and Bridge Fund. A budgetary comparison statement has been provided for the general fund, road and bridge fund. The basic governmental fund financial statements can be found on pages 15-21 of this report.

Proprietary funds: Refugio County maintains one type of proprietary fund. The Internal Service Fund for Refugio County, Texas, consists solely of the Employee Insurance Fund. This fund was created to provide coverage for employee health insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Refugio County, Texas also has four (4) agency funds. The fiduciary fund types can be found on page 26 of this report.

Notes to the financial statements:

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 27-65 of this report.

*Other information:*

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning Refugio County, Texas' progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 66-69 of this report.

The combining statements referred to earlier in connection with major road and bridge funds, the non-major governmental funds, and the fiduciary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 70-78 of this report.

The single audit section can be found on pages 79-85 of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Refugio County, Texas, assets exceeded liabilities by \$15,019,930 at the close of the most recent fiscal year.

### REFUGIO COUNTY, TEXAS NET POSITION

	Governmental Activities		Total	
	2018	2017	2018	2017
Current and Other Assets	\$10,120,085	\$10,899,041	\$10,120,085	\$10,899,041
Capital Assets:	5,782,058	6,117,851	5,782,058	6,117,851
Total Assets	15,902,143	17,016,892	15,902,143	17,016,892
Total Deferred Outflows of Resources	640,416	1,297,576	640,416	1,297,576
Long-Term Liabilities	273,776	392,665	273,776	392,665
Other Liabilities	523,610	327,687	523,610	327,687
Total Liabilities	797,386	720,352	797,386	720,352
Total Deferred Inflows of Resources	725,243	370,500	725,243	370,500
Invested in Capital Assets, Net of Related Debt	5,680,237	5,967,666	5,680,237	5,967,666
Restricted	4,012,101	6,532,786	4,012,101	6,532,786
Unrestricted	5,327,592	4,723,164	5,327,592	4,723,164
Total Net Position	\$15,019,930	\$17,223,616	\$15,019,930	\$17,223,616

A portion of Refugio County, Texas' net position (27 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$5,327,592) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, Refugio County, Texas is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

The government's total net position decreased by \$2,203,686. This decrease is mainly attributable to the FEMA (Hurricane Harvey) grant whereby expenses outpaced income by \$2,882,950. For the year, FEMA (Hurricane Harvey) grant and contribution income increased by \$5,103,759; but expenses increased by \$12,172,010. It should also be noted that the increase last year of \$4,353,231 was mainly attributable to a FEMA grant of \$4,226,250 for Hurricane Harvey.

**Governmental activities:** There were no business-type activities so any analysis regarding governmental activities will be the same as the analysis of the Government-wide Financial Analysis.

**REFUGIO COUNTY, TEXAS  
CHANGE IN NET POSITION**

	Governmental Activities		Total	
	2018	2017	2018	2017
Revenues:				
Program Revenues:				
Charges for Services	\$2,764,964	\$2,443,814	\$2,764,964	\$2,443,814
Operating Grants and Contributions	872,097	794,440	872,097	794,440
Capital Grants and Contributions	7,880,203	4,894,093	7,880,203	4,894,093
General Revenues:				
Maintenance and Operations Taxes	6,201,594	6,198,227	6,201,594	6,198,227
Unrestricted Investment Earnings	35,535	36,039	35,535	36,039
Miscellaneous	2,989,416	817,643	2,989,416	817,643
Impairment Loss - Poultry/Goat Barn	(3,921)		(3,921)	
Impairment Loss - Sheriff Vehicles	(167,389)		(167,389)	
Total Revenue	20,572,499	15,184,256	20,572,499	15,184,256
Expenses:				
General Administration	2,191,831	2,042,257	2,191,831	2,042,257
Judicial	704,684	686,789	704,684	686,789
Legal	145,145	159,388	145,145	159,388
Financial Administration	468,090	481,760	468,090	481,760
Public Facilities	387,575	878,928	387,575	878,928
Public Safety	3,779,733	3,629,950	3,779,733	3,629,950
Public Transportation	2,023,893	2,049,662	2,023,893	2,049,662
Environmental Protection	12,187,260		12,187,260	0
Culture and Recreation	213,833	204,558	213,833	204,558
Health and Welfare	592,232	610,804	592,232	610,804
Conservation - Agriculture	76,697	80,096	76,697	80,096
Interest and Fiscal Charges	5,212	6,833	5,212	6,833
Total Expenses	22,776,185	10,831,025	22,776,185	10,831,025
Increase in Net Position Before Transfers and Special Items	(2,203,686)	4,353,231	(2,203,686)	4,353,231
Transfers	0	0	0	0
Increase in Net Position	(2,203,686)	4,353,231	(2,203,686)	4,353,231
Net Position at 09/30/2017	17,223,616	12,870,385	17,223,616	12,870,385
Net Position at 09/30/2018	\$15,019,930	\$17,223,616	\$15,019,930	\$17,223,616

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Government activities:				
General Administration	\$2,191,831	\$852,616	\$59,911	\$0
Judicial	704,684	261,464	16,122	
Legal	145,145	76,579	23,333	
Financial Administration	468,090	224,248		
Public Facilities	387,575			
Public Safety	3,779,733	109,416	483,159	
Public Transportation	2,023,893	1,126,849	111,425	332,545
Environmental Protection	12,187,260			7,547,658
Culture and Recreation	213,833	97,367	5,000	
Health and Welfare	592,232	16,425	173,147	
Conservation - Agriculture	76,697			
Interest and Fiscal Charges	5,212			
Total Government Activities	<u>\$22,776,185</u>	<u>\$2,764,964</u>	<u>\$872,097</u>	<u>\$7,880,203</u>

Revenues by Source - Governmental Activities

	REVENUES	%
Charges for Services	\$2,764,964	13.44%
Operating Grants and Contributions	872,097	4.24%
Capital Grants and Contributions	7,880,203	38.30%
Maintenance and Operations Taxes	6,201,594	30.15%
Unrestricted Investment Earnings	35,535	-906.27%
Miscellaneous	2,989,416	-76241.16%
Impairment Loss - Poultry/Goat Barn	(3,921)	-0.02%
Impairment Loss - Sheriff Vehicles	(167,389)	-0.81%
	<u>\$20,572,499</u>	<u>100.00%</u>

For the most part, the increases and decreases in expenses closely paralleled inflation and growth in the demand for services.

## Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, Refugio County, Texas' governmental funds reported combined ending fund balances of \$7,216,542, a decrease of \$2,283,758 in comparison with the prior year. Approximately 34% of this total amount \$2,439,126 constitutes *unassigned fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is restricted or committed.

The general fund is the chief operating fund of Refugio County, Texas. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,505,426, while total fund balance reached a balance of \$2,596,053. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned, undesignated fund balance represents 39 percent of total general fund expenditures, while total fund balance represents 40 percent of that same amount.

The fund balance of the general fund increased by \$244,815 during the current fiscal year. This increase is a result of careful budget monitoring.

At the end of the current fiscal year restricted fund balance of the road and bridge fund was \$1,397,341, while total fund balance reached a balance of \$1,412,692. As a measure of the road and bridge fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Restricted fund balance represents 70 percent of total road and bridge fund expenditures, while total fund balance represents 71 percent of that same amount.

The fund balance of the road and bridge fund increased by \$12,035 during the current fiscal year. Key factors in this increase are as follows:

- . A reduction in grants of \$364,612 coupled with careful budget monitoring.

There is no discussion regarding the sheriff grant and the Hurricane Harvey funds since these funds are grant funds and are structured to conform to grant budgets.

**Budgetary Highlights:**

The difference between the original budget and the final amended budget in the general fund was an increase of \$286,372 in appropriations and the majority of the amendments can be briefly summarized as follows:

An increase in the Sheriff Department of \$422,846. It might be noted that the non-departmental budget decreased by \$441,854.

The total actual expenditures in the general fund of \$6,460,213 was under the budgeted amount of \$6,727,767 by \$267,554.

There was no change between the original budget and the final amended budget in the road and bridge fund.

The total actual expenditures in the road and bridge fund of \$1,653,125 were less than the budgeted amount of \$1,837,635 by \$184,510.

**Capital Asset and Debt Administration**

*Capital assets:*

Refugio County, Texas' investment in capital assets for its governmental activities as of September 30, 2018, amounts to \$5,782,058 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, roads and infrastructure, machinery and equipment, and park facilities. The total decrease in Refugio County, Texas' investment in capital assets for the current fiscal year was 5 percent.

There were no major capital asset events during the current fiscal year.

**REFUGIO COUNTY, TEXAS  
CAPITAL ASSETS (Net of Depreciation)**

	Governmental Activities		Total	
	2018	2017	2018	2017
Land	\$669,234	\$669,234	\$669,234	\$669,234
Building and Improvements	2,349,940	2,488,790	2,349,940	2,488,790
Machinery and Equipment	1,336,157	1,443,842	1,336,157	1,443,842
Intangible	13,672	19,550	13,672	19,550
Infrastructure	1,413,055	1,496,435	1,413,055	1,496,435
Total	<u>\$5,782,058</u>	<u>\$6,117,851</u>	<u>\$5,782,058</u>	<u>\$6,117,851</u>

Additional information on Refugio County, Texas' capital assets can be found in note IV C on page 38-39 of this report.

*Long-term debt:*

At the end of the current fiscal year, Refugio County, Texas had no bonded debt.

## Economic Factors

Refugio County's economy is slowly recovering from Hurricane Harvey. The housing market is depressed with some interest activity in building new homes in the Bayside area. The vendor's growth is being experienced in neighboring counties and some of that housing demand and job creation is expected in Refugio County. The future is bright with an emphasis on being a more resilient community.

## Requests for Information

This financial report is designed to provide our citizen's taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If questions are encountered regarding this report; contact the Refugio County Auditor's Office, 808 Commerce, Room 107, Refugio, TX 78377, or (361) 526-2245.

## BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

REFUGIO COUNTY, TEXAS  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018

	Primary Governmental	
	Activities	Total
<b>ASSETS</b>		
Cash and Cash Equivalents	\$7,339,453	\$7,339,453
Receivables (net of allowance for uncollectibles)	1,553,830	1,553,830
Prepaid Expenses	106,821	106,821
Net Pension Receivable	1,119,981	1,119,981
Capital assets not being depreciated:		
Land	669,234	669,234
Total Capital assets being depreciated, net		
Building and Improvements	2,349,940	2,349,940
Machinery, Vehicles, and Equipment	1,336,157	1,336,157
Intangible	13,672	13,672
Infrastructure	1,413,055	1,413,055
<b>Total Assets</b>	<b>\$15,902,143</b>	<b>\$15,902,143</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>GASB 68</b>		
Contributions (after 12/31/17)	424,749	424,749
Changes of assumptions	215,667	215,667
<b>Total Deferred Outflows of Resources</b>	<b>640,416</b>	<b>640,416</b>
<b>LIABILITIES:</b>		
Accounts Payable	\$486,209	\$486,209
Accrued Wages Payable	260	260
Unearned Revenues	37,141	37,141
Noncurrent Liabilities:		
Due within one year	221,997	221,997
Due in more than one year	51,779	51,779
<b>Total Liabilities</b>	<b>797,386</b>	<b>797,386</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
<b>GASB 68</b>		
Net difference between projected and actual earnings	297,139	297,139
Differences between expected and actual experience	428,104	428,104
<b>Total Deferred Inflows of Resources</b>	<b>725,243</b>	<b>725,243</b>
<b>NET POSITION</b>		
Invested in Capital Assets, Net of Related Debt	5,680,237	5,680,237
Restricted		
Construction	1,302,351	1,302,351
Environmental Protection	255,666	255,666
General Administration	8,986	8,986
General Administration - Records	298,330	298,330
Health and Welfare	225,443	225,443
Judicial	139,388	139,388
Permanent Improvement	1,155	1,155
Public Safety	383,441	383,441
Public Transportation	1,397,341	1,397,341
Unrestricted	5,327,592	5,327,592
<b>Total Net Position</b>	<b>\$15,019,930</b>	<b>\$15,019,930</b>

The accompanying notes are an integral part of this statement.

REFUGIO COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2018

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Total
Primary Government						
Government activities:						
General Administration	\$2,191,831	\$852,616	\$59,911	\$0	(\$1,279,304)	(\$1,279,304)
Judicial	704,684	261,464	16,122		(427,098)	(427,098)
Legal	145,145	76,579	23,333		(45,233)	(45,233)
Financial Administration	468,090	224,248			(243,842)	(243,842)
Public Facilities	387,575			0	(387,575)	(387,575)
Public Safety	3,779,733	109,416	483,159		(3,187,158)	(3,187,158)
Public Transportation	2,023,893	1,126,849	111,425	332,545	(453,074)	(453,074)
Environmental Protection	12,187,260	0		7,547,658	(4,639,602)	(4,639,602)
Culture and Recreation	213,833	97,367	5,000		(111,466)	(111,466)
Health and Welfare	592,232	16,425	173,147		(402,660)	(402,660)
Conservation - Agriculture	76,697				(76,697)	(76,697)
Interest and Fiscal Charges	5,212				(5,212)	(5,212)
Total Government Activities	<u>22,776,185</u>	<u>2,764,964</u>	<u>872,097</u>	<u>7,880,203</u>	<u>(11,258,921)</u>	<u>(11,258,921)</u>
Total Primary Government	<u>\$22,776,185</u>	<u>\$2,764,964</u>	<u>\$872,097</u>	<u>\$7,880,203</u>	<u>(11,258,921)</u>	<u>(11,258,921)</u>
General Revenues						
Property Taxes, Levies for General Purposes					6,201,594	6,201,594
Unrestricted Investment Earnings					35,535	35,535
Miscellaneous					2,989,416	2,989,416
Impairment Loss - Poultry/Goat Barn					(3,921)	(3,921)
Impairment Loss - Sheriff Vehicles					(167,389)	(167,389)
Total General Revenues and Transfers					<u>9,055,235</u>	<u>9,055,235</u>
Change in Net Position					(2,203,686)	(2,203,686)
Net Position - Beginning					<u>17,223,616</u>	<u>17,223,616</u>
Net Position - Ending					<u>\$15,019,930</u>	<u>\$15,019,930</u>

The accompanying notes are an integral part of this statement.

## FUND FINANCIAL STATEMENTS

REFUGIO COUNTY, TEXAS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018

	General Fund	Road and Bridge	Sheriff Grants	Hurricane Harvey	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and Cash Equivalents	\$2,489,905	\$1,502,436	\$0	\$1,401,953	\$1,929,896	\$7,324,190
Receivables (net of allowance for uncollectibles)	517,616	95,862	153,890	59,698	45,302	872,368
Due from Other Funds				3,694	65	3,759
Prepaid Expenses	90,627	15,351			843	106,821
<b>Total Assets</b>	<b>\$3,098,148</b>	<b>\$1,613,649</b>	<b>\$153,890</b>	<b>\$1,465,345</b>	<b>\$1,976,106</b>	<b>\$8,307,138</b>
<b>LIABILITIES AND FUND BALANCES:</b>						
Liabilities:						
Accounts Payable	\$88,521	\$163,962	\$66,520	\$162,994	\$4,212	\$486,209
Accrued Wages Payable	112				148	260
Due to Other Funds	3,759				0	3,759
Bank Overdraft			153,670		0	153,670
Deferred Revenues	36,433	708				37,141
<b>Total Liabilities</b>	<b>128,825</b>	<b>164,670</b>	<b>220,190</b>	<b>162,994</b>	<b>4,360</b>	<b>681,039</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Property Taxes						
<b>Total deferred inflows of resources</b>	<b>373,270</b>	<b>36,287</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>409,557</b>
<b>Fund Balances:</b>						
Non-Spendable						
Prepaid Items	90,627	15,351			843	106,821
Restricted						
Construction				1,302,351		1,302,351
Environmental Protection					255,666	255,666
General Administration					8,986	8,986
General Administration - Records					298,330	298,330
Health and Welfare					225,443	225,443
Judicial					139,388	139,388
Permanent Improvement					1,155	1,155
Public Safety					383,441	383,441
Public Transportation		1,397,341				1,397,341
Committed						
Culture and Recreation					188,538	188,538
General Administration					353,460	353,460
Public Facilities					116,496	116,496
Unassigned	2,505,426		(66,300)			2,439,126
<b>Total Fund Balance</b>	<b>2,596,053</b>	<b>1,412,692</b>	<b>(66,300)</b>	<b>1,302,351</b>	<b>1,971,746</b>	<b>7,216,542</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$3,098,148</b>	<b>\$1,613,649</b>	<b>\$153,890</b>	<b>\$1,465,345</b>	<b>\$1,976,106</b>	<b>\$8,307,138</b>

The accompanying notes are an integral part of this statement.

REFUGIO COUNTY, TEXAS  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 SEPTEMBER 30, 2018

Total Fund Balances - governmental funds balance sheet	\$7,216,542
Amounts reported for governmental activities in the statement of Net Position ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	5,782,058
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	596,635
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles).	409,557
Compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(171,955)
Long-term liabilities - Capital lease payable, is not due and payable in the current period and therefore is not reported in the funds.	(101,821)
Net Pension Receivable	1,119,981
Internal Service funds are used by management to account for funds for Self-Insurance. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.	168,933
Net Position of governmental activities - statement of Net Position	<u>\$15,019,930</u>

The accompanying notes are an integral part of this statement.

REFUGIO COUNTY, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Road and Bridge	Sheriff's Grants	Hurricane Harvey	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes						
Property	\$5,629,177	\$547,230	\$0		\$0	\$6,176,407
Intergovernmental	85,290	443,970	396,722	7,291,992	534,326	8,752,300
Licenses and Permits	8,532	259,312				267,844
Charges for Services	646,637	30,798			246,033	923,468
Fines and Forfeitures		695,789				695,789
Interest	22,708	6,353			6,291	35,352
Miscellaneous	498,156	14,253		2,038,017	416,443	2,966,869
Total Revenues	<u>6,890,500</u>	<u>1,997,705</u>	<u>396,722</u>	<u>9,330,009</u>	<u>1,203,093</u>	<u>19,818,029</u>
<b>EXPENDITURES</b>						
Current:						
General Administration	1,333,061				122,002	1,455,063
Judicial	662,641				53,538	716,179
Legal	149,339				0	149,339
Financial Administration	479,247					479,247
Public Facilities	307,162					307,162
Public Safety	2,996,102		463,022		283,445	3,742,569
Public Transportation		1,932,094				1,932,094
Environmental Protection				12,212,959		12,212,959
Culture and Recreation	140,765				109,040	249,805
Health and Welfare	314,854				288,003	602,857
Conservation - Agriculture	77,042					77,042
Capital Projects -						
Capital Outlay and Other					123,895	123,895
Debt Service						
Principal Retirement		48,364				48,364
Interest and Fiscal Charges		5,212				5,212
Total Expenditures	<u>6,460,213</u>	<u>1,985,670</u>	<u>463,022</u>	<u>12,212,959</u>	<u>979,923</u>	<u>22,101,787</u>
Excess (Deficiency) of Revenues Over (Under)						
Expenditures	<u>430,287</u>	<u>12,035</u>	<u>(66,300)</u>	<u>(2,882,950)</u>	<u>223,170</u>	<u>(2,283,758)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating Transfers In	44,000				229,472	273,472
Operating Transfers Out	(229,472)	0			(44,000)	(273,472)
Total Other Financing Sources (Uses)	<u>(185,472)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>185,472</u>	<u>0</u>
Net Changes in Fund Balances	244,815	12,035	(66,300)	(2,882,950)	408,642	(2,283,758)
Fund Balances - Beginning	2,351,238	1,400,657	0	4,185,301	1,563,104	9,500,300
Fund Balances - Ending	<u>\$2,596,053</u>	<u>\$1,412,692</u>	<u>(\$66,300)</u>	<u>\$1,302,351</u>	<u>\$1,971,746</u>	<u>\$7,216,542</u>

The accompanying notes are an integral part of this statement.

REFUGIO COUNTY, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED SEPTEMBER 30, 2018

Net Changes in Fund Balances - total governmental funds (\$2,283,758)

Amounts reported for governmental activities in the statement of Net Position  
 ("SNA") are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(335,793)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	25,187
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. This is the change in these amounts this year.	140,950
Deferred Outflow of Resources-Contribution. This is the change in these amounts this year.	14,478
Deferred Outflow-Changes of assumptions. This is the change in these amounts this year.	103,287
Deferred Inflow-Net difference between projected and actual earnings. This is the change in these amounts this year.	(1,072,064)
Deferred Inflow-Differences between expected and actual experience. This is the change in these amounts this year.	(57,604)
(Increase) decrease in Compensated absences from beginning of period to end of period.	(3,932)
Net Pension Receivable. This is the change in these amounts this year.	1,119,981
Net Pension Payable. This is the change in these amounts this year.	74,457
Repayment of loan principal is an expenditure in the funds but not an expense in the SOA.	48,364
Internal Service funds are used by management to account for funds for Self-Insurance. The net revenue of certain activities of Internal service funds is reported with governmental activities.	22,761
Change in Net Position of governmental activities - statement of activities	<u><u>(\$2,203,686)</u></u>

The accompanying notes are an integral part of this statement.

REFUGIO COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES</b>				
Taxes				
Property	\$5,691,474	\$5,691,474	\$5,629,177	(\$62,297)
Intergovernmental	74,033	74,033	85,290	11,257
Licenses and Permits	3,800	3,800	8,532	4,732
Charges for Services	653,500	653,500	646,637	(6,863)
Interest	16,500	16,500	22,708	6,208
Miscellaneous	118,088	424,460	498,156	73,696
<b>Total Revenues</b>	<b>6,557,395</b>	<b>6,863,767</b>	<b>6,890,500</b>	<b>26,733</b>

**EXPENDITURES**

Current:

General Administration				
Commissioner's Court	12,200	12,200	10,200	2,000
County Clerk	172,698	192,885	188,041	4,844
County Judge	148,107	157,364	156,054	1,310
Economic Development	25,000	25,000	25,000	0
Elections	101,154	110,938	110,527	411
IT Department	120,000	120,000	102,691	17,309
Non-Departmental	1,240,765	798,911	716,856	82,055
Veterans Service	24,676	24,676	23,692	984
Legal				
County Attorney	136,081	149,539	149,339	200
Judicial				
Assistant District Attorney	98,853	95,270	95,260	10
County Court	29,000	29,222	10,944	18,278
District Clerk	170,795	184,946	184,290	656
District Court	95,008	118,926	116,622	2,304
Justices of the Peace	242,337	259,862	255,525	4,337
Financial Administration				
County Auditor	136,141	155,533	152,457	3,076
County Treasurer	127,721	137,773	134,821	2,952
Tax Assessor-Collector	174,670	194,795	191,969	2,826
Public Facilities				
Courthouse Maintenance	209,131	202,489	187,386	15,103
Public Buildings	121,000	124,082	119,776	4,306

(continued)

(continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
Public Safety				
911	\$47,192	\$47,313	\$47,300	\$13
Adult Probation	2,500	2,500	2,500	0
Animal Control	94,754	109,445	109,211	234
Constables	58,778	72,151	72,135	16
D.P.S.	38,380	45,109	45,101	8
Emergency Management	42,531	53,760	52,878	882
Fire	100,700	100,701	100,630	71
Jail	844,933	925,774	879,217	46,557
Sheriff	1,269,992	1,692,838	1,687,130	5,708
Culture and Recreation				
Library	113,652	127,110	125,015	2,095
Museum	15,750	15,750	15,750	0
Health and Welfare				
Elderly Services	109,025	109,025	109,025	0
Food Service	245,068	252,348	205,829	46,519
Conservation - Agriculture				
Agriculture Extension Service	72,803	79,532	77,042	2,490
Total Expenditures	<u>6,441,395</u>	<u>6,727,767</u>	<u>6,460,213</u>	<u>267,554</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>116,000</u>	<u>136,000</u>	<u>430,287</u>	<u>294,287</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	49,000	49,000	44,000	(5,000)
Operating Transfers Out	(165,000)	(185,000)	(229,472)	(44,472)
Total Other Financing Sources (Uses)	<u>(116,000)</u>	<u>(136,000)</u>	<u>(185,472)</u>	<u>(49,472)</u>
Net Changes in Fund Balances	0	0	244,815	244,815
Fund Balances - Beginning	<u>2,351,238</u>	<u>2,351,238</u>	<u>2,351,238</u>	
Fund Balances - Ending	<u>\$2,351,238</u>	<u>\$2,351,238</u>	<u>\$2,596,053</u>	<u>\$244,815</u>

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

REFUGIO COUNTY, TEXAS  
ROAD AND BRIDGE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Property	\$547,504	\$547,504	\$547,230	(\$274)
Intergovernmental	71,300	71,300	111,425	40,125
Licenses and Permits	250,000	250,000	259,312	9,312
Charges for Services	60,000	60,000	30,798	(29,202)
Fines and Forfeitures	650,000	650,000	695,789	45,789
Interest	6,100	6,100	6,353	253
Miscellaneous	0	0	14,253	14,253
Total Revenues	<u>1,584,904</u>	<u>1,584,904</u>	<u>1,665,160</u>	<u>80,256</u>
<b>EXPENDITURES</b>				
Current				
Public Transportation	1,783,988	1,783,988	1,599,549	184,439
Debt Service				
Principal Retirement	48,364	48,364	48,364	0
Interest and Fiscal Charges	5,283	5,283	5,212	71
Total Expenditures	<u>1,837,635</u>	<u>1,837,635</u>	<u>1,653,125</u>	<u>184,510</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(252,731)</u>	<u>(252,731)</u>	<u>12,035</u>	<u>264,766</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers Out		0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	(252,731)	(252,731)	12,035	264,766
Fund Balances - Beginning	1,400,657	1,400,657	1,400,657	
Fund Balances - Ending	<u>\$1,147,926</u>	<u>\$1,147,926</u>	<u>\$1,412,692</u>	<u>\$264,766</u>

Note: For budgetary purposes, TIF grant reimbursement of \$332,545 was coded as a reduction Road and Bridge expenditures. The \$332,545 was included in grant income in the modified accrual financial statements.

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

REFUGIO COUNTY, TEXAS  
 STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 SEPTEMBER 30, 2018

	GOVERN MENTAL ACTIVITIES- INTERNAL SERVICE FUND
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$168,933
Receivables (net of allowance for uncollectibles)	
Total Current Assets	<u>168,933</u>
Total Assets	<u><u>\$168,933</u></u>
FUND EQUITY AND OTHER CREDITS	
Net Position	
Restricted for:	
Employee Insurance - Expendable	168,933
Unrestricted	<u>0</u>
Total Net Position	<u><u>\$168,933</u></u>

The notes to the financial statements are an integral part of this statement.  
 Note: The Employee Insurance Fund is the only Internal Service Fund.

REFUGIO COUNTY, TEXAS  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	GOVERN MENTAL ACTIVITIES- INTERNAL SERVICE FUND
OPERATING REVENUES:	
Charges for Services	\$736,913
Miscellaneous	22,547
Total Operating Revenues	<u>759,460</u>
OPERATING EXPENSES:	
Personal Services	
Other Services and Charges	736,882
Total Operating Expenses	<u>736,882</u>
Operating Income (Loss)	<u>22,578</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest Income	183
Total Non-Operating Revenues (Expenses)	<u>183</u>
Income Before Transfers	22,761
Transfers In (Out) - Net	0
Change in Net Position	<u>22,761</u>
Total Net Position - Beginning	146,172
Total Net Position - Ending	<u>\$168,933</u>

The notes to the financial statements are an integral part of this statement.  
 Note: The Employee Insurance Fund is the only Internal Service Fund.

REFUGIO COUNTY, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	GOVERN MENTAL ACTIVITIES- INTERNAL SERVICE FUND
	<u>                    </u>
Cash Flows from Operating Activities	
Receipts from customers and users	\$783,892
Payments to suppliers	(736,882)
Payments to employees	0
Net Cash Provided (Used) By Operating Activities	<u>47,010</u>
Cash Flows from Non-Capital and Related Financing Activities	
Transfers In (Out) - Net	
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>0</u>
Cash Flows from Capital and Related Financing Activities	
Interest and Fiscal Charges	0
Purchases of Capital Assets	0
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>0</u>
Cash Flows from Investing Activities	
Interest Received	183
Net Cash Provided (Used) by Investment Activities	<u>183</u>
Net Increase (Decrease) in Cash Equivalents	47,193
Cash and Cash Equivalents at Beginning of Year	121,740
Cash and Cash Equivalents at End of Year (continued)	<u><u>\$168,933</u></u>

(continued)

GOVERN  
MENTAL  
ACTIVITIES-  
INTERNAL  
SERVICE  
FUND

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Reconciliation of operating income to  
net cash provided (used) by operating  
activities:

Operating Income (Loss)	\$22,578
Adjustments to Reconcile to Net Cash Flow	
Non-Cash Items Included in Net Income	
Depreciation	0
Changes in Current Items	
Increase (Decrease) in Accounts Receivable	(24,432)
Net Cash Provided (Used)	
By Operating Activities	<u><u>(\$1,854)</u></u>

Noncash Investing, Capital, and Financing Activities:  
Borrowing from Capital Debt

\$0

Noncash Investing, Capital, and Financing Activities: None  
The notes to the financial statements are an integral part of this statement.

REFUGIO COUNTY, TEXAS  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Agency Funds</u>
	<u>Total</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$978,376
Receivables (net of allowance for uncollectibles)	61,728
Total Assets	<u>\$1,040,104</u>
<b>LIABILITIES:</b>	
Accounts Payable	\$167,902
Due to Others	872,202
Total Liabilities	<u>1,040,104</u>
<b>NET POSITION</b>	
Held in Trust - Historical Purposes	<u>0</u>
Total Net Position	<u>\$0</u>

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

REFUGIO COUNTY, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018

I. Summary of Significant Accounting Policies

A. Reporting entity

Refugio County operates under a County Judge – Commissioner’s Court type of government and provides the following services throughout the County: public safety (fire, ambulance, and law enforcement), public transportation (highways and roads), health and welfare, culture and recreation, conservation (agriculture), public facilities, judicial and legal, election functions, and general and financial administrative services. The accounting policies of Refugio County, Texas, (the County) conform to generally accepted accounting principles. The County also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

B. Government-Wide and Fund Financial Statements

The County’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the County accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the County’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the County are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities, which are presented as internal balances and eliminated in the total primary government column. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The County has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the County, are property tax, intergovernmental revenues and charges for services. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The government reports the following major governmental funds:

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

The road and bridge fund accounts for the activities of the government's road and bridge operations.

The sheriff grant fund accounts for the Stonegarden Grant monies for the overtime of sheriff deputies. The Hurricane Harvey fund accounts for FEMA monies used for hurricane Harvey cleanup.

C. Fiduciary Funds

Agency Funds - These funds are established to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations.

D. Proprietary fund financial statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Internal Service Fund are charges to employees for health insurance premiums. Operating expenses for enterprise funds include health insurance premiums remitted to the County’s health insurance carrier. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Government and the District to invest in obligations of the U.S. Treasury. Investments for the Government are reported at fair value. For purposes of the statement of cash flows, the County considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

E. Assets, Liabilities, and Net Assets or Equity (continued)

2. Receivables and Payables (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectible. The property tax receivable allowance is equal to a total of 1 percent of the current outstanding property taxes at September 30, 2018 and 10 percent of the delinquent outstanding property taxes at September 30, 2018.

Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the County bills the taxpayers. The County begins to collect the taxes as soon as the taxpayers are billed.

3. Inventories and Prepaid Items

Inventories of materials and supplies held by the General Fund are considered immaterial and thus are not accounted for in the Balance Sheet. In the General Fund, disbursements for supplies and materials are considered to be expenditures at the time of purchase. There were no inventory items at September 30, 2018.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets

There were no restricted assets at September 30, 2018.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no such construction during the current fiscal year.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	20
System infrastructure	30
Vehicles	5
Office Equipment	5
Computer Equipment	5

6. Compensated Absences

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

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. Fund Balances – Governmental Funds

As of September 30, 2018, fund balances of the governmental funds are classified as follows:

***Nonspendable*** – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

***Restricted*** — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

***Committed*** — amounts that can be used only for specific purposes determined by a formal action of Commissioner’s Court. Commissioner’s Court is the highest level of decision-making authority for the County. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Commissioner’s Court.

***Unassigned*** — all other spendable amounts.

As of September 30, 2018, fund balances are composed of the following:

Fund Balances:	
Non-Spendable	
Prepaid Items	\$106,821
Restricted	
Construction	1,302,351
Environmental Protection	255,666
General Administration	8,986
General Administration - Records	298,330
Health and Welfare	225,443
Judicial	139,388
Permanent Improvement	1,155
Public Safety	383,441
Public Transportation	1,397,341
Committed	
Culture and Recreation	188,538
General Administration	353,460
Public Facilities	116,496
Unassigned	<u>2,439,126</u>
Total Fund Balance	<u><u>\$7,216,542</u></u>

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Commissioner’s Court or the finance committee has provided otherwise in its commitment or assignment actions.

In fiscal year 2011, the Commissioner’s Court adopted a minimum fund balance policy for the General Fund. The policy requires the unassigned fund balance at fiscal year end to be at least equal to 20 percent of the subsequent year’s budgeted General Fund expenditures.

9. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

10. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is deferred under GASB 68.

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 a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government only has two items that qualify for reporting in this category. An item deferred under GASB 68 is the only items that qualifies for reporting in this category.

The County reports unearned revenue on its fund financial statements. Unearned revenues arise when potential revenue does not meet both the “measureable” and “available” criteria for recognition in the current period (fund financial statements). Unearned revenues also arise when resources are unearned by the County and received before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures (fund financial statements and government-wide financial statements). In subsequent periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the liability for unearned revenue is removed from the applicable financial statement and revenue is recognized. Pursuant to GASB 65 we have included deferred ad valorem taxes as deferred inflows in the fund financial statements.

11. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

II. Reconciliation of Government-Wide and Fund Financial Statements

- A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds" report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$5,782,058 difference are as follows:

Capital Assets Not Being Depreciated	\$669,234
Capital Assets Being Depreciated	14,980,849
Depreciation Expense	(9,868,025)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u>\$5,782,058</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$101,821 difference are as follows:

Capital Leases Payable	<u>\$101,821</u>
	<u>\$101,821</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds (net of allowance for uncollectibles)." The details of this \$409,557 difference are as follows:

Property taxes Receivable	\$444,975
Allowance for Doubtful Accounts	<u>(35,418)</u>
Net	<u>\$409,557</u>

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds." The details of this \$596,635 difference are as follows:

Fines Receivable	\$2,766,216
Allowance for Doubtful Accounts	(2,084,754)
<b>GASB 68</b>	
Contributions (after 12/31/17)	424,749
Changes of assumptions	215,667
Net difference between projected and actual earnings	(297,139)
Differences between expected and actual experience	<u>(428,104)</u>
Net	<u><u>\$596,635</u></u>

- B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this (\$335,793) difference are as follows:

Capital Outlay - Additions	\$452,816
Capital Outlay - Dispositions - Net	(171,310)
Depreciation Expense	(617,299)
Net Adjustment to Increase Net Changes in Fund Balances - Total Governmental Funds to Arrive at Changes in Net Position of Governmental Activities	<u><u>(\$335,793)</u></u>

### III. Stewardship, Compliance, and Accountability

#### A. Budgetary Information

The original budget is adopted by the Commissioner's Court and filed with the County Clerk. Amendments are made during the year on approval by the Commissioner's Court.

The final amended budget is used in this report. The budget should not be exceeded in any expenditure category under State law. Unused appropriations lapse at the end of each year. The County Judge is, by statute, the Budget Officer of the County. He usually requests and relies on the assistance of the County Auditor to prepare the annual budget. After being furnished budget guidelines by the Commissioner's Court, the County Auditor prepares an estimate of revenues and a compilation of requested departmental expenditures and submits this data to the Commissioner's Court.

The Commissioner's Court invites various department heads to appear for a hearing concerning the departments' budget requests. Before determining the final budget, the Commissioner's Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the County Auditor's estimate of revenues and available cash. The final budget can be legally amended by the Commissioner's Court to whatever extent the Court desires as long as the amended figures do not exceed the County Auditor's estimate of revenues and available cash.

When the Budget has been adopted by the Commissioner's Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping the members of the Commissioner's Court advised of the condition of the various funds and accounts. The level of control for each legally adopted annual operating budget is the fund.

Budgets for the 2018 fiscal year were adopted for the General Fund and the Road and Bridge Fund.

#### B. Excess of Expenditures over Appropriations

For the year ended September 30, 2018, expenditures did not exceed appropriations in any funds.

#### C. Deficit fund equity

The county had no deficit fund balances as of September 30, 2018 except for the sheriff grant fund which had a deficit fund balance of \$66,300. This deficit is expected to be liquidated by future monies of the fund.

IV. Detailed Notes on All Funds

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy. That policy does address the following risks:

As of September 30, 2018, the government had the following investments: None

*Custodial credit risk - deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government has a deposit policy for custodial credit risk. As of September 30, 2018, the government's bank balance of \$8,599,609 with Vantage Bank was exposed to custodial credit risk because it was fully secured by a \$12,000,000 Letter of Credit and FDIC coverage is \$250,000. The book balance of the cash at September 30, 2018 is \$8,317,829.

IV. Detailed Notes on All Funds (continued)

B. Receivables

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

	General	Road and Bridge	Sheriff Grants	Hurricane Harvey	Other Govern- mental	Total
<u>Receivables</u>						
Ad Valorem Taxes	\$405,550	\$39,425				\$444,975
Intergovernmental	25,317		153,890	59,698		238,905
Charges for Services					45,302	45,302
Fines	2,766,216					2,766,216
Other	119,029	59,575				178,604
Gross Receivables	<u>3,316,112</u>	<u>99,000</u>	<u>153,890</u>	<u>59,698</u>	<u>45,302</u>	<u>3,674,002</u>
Less: Allowance for Uncollectibles	2,117,034	3,138				2,120,172
Net Total Receivables	<u>\$1,199,078</u>	<u>\$95,862</u>	<u>\$153,890</u>	<u>\$59,698</u>	<u>\$45,302</u>	<u>\$1,553,830</u>

## C. Capital Assets

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

Governmental Activities:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$669,234			\$669,234
Construction in Progress	\$0			\$0
Total capital assets not being depreciated:	<u>669,234</u>	<u>0</u>	<u>0</u>	<u>669,234</u>
Capital assets being depreciated:				
Building and Improvements	5,131,017		19,012	5,112,005
Machinery and Equipment	5,346,035	452,816	618,478	5,180,373
Intangible	58,779	0	0	58,779
Infrastructure	4,629,692	0	0	4,629,692
Total capital assets being depreciated:	<u>15,165,523</u>	<u>452,816</u>	<u>637,490</u>	<u>14,980,849</u>
Less: Accumulated Depreciation for:				
Building and Improvements	2,642,227	134,929	15,091	2,762,065
Machinery and Equipment	3,902,193	393,112	451,089	3,844,216
Intangible	39,229	5,878	0	45,107
Infrastructure	3,133,257	83,380	0	3,216,637
Total Accumulated Depreciation	<u>9,716,906</u>	<u>617,299</u>	<u>466,180</u>	<u>9,868,025</u>
Total Capital Assets Depreciated, Net	<u>5,448,617</u>	<u>(164,483)</u>	<u>171,310</u>	<u>5,112,824</u>
Governmental Activities capital assets, Net	<u>\$6,117,851</u>	<u>(\$164,483)</u>	<u>\$171,310</u>	<u>\$5,782,058</u>

The 2017-2018 depreciation is as follows:

Governmental Activities	
General Administration	\$11,397
Judicial	4,920
Public Facilities	62,937
Public Safety	262,290
Public Transportation	245,338
Culture and Recreation	10,200
Health and Welfare	17,955
Conservation - Agriculture	2,262
Total Depreciation Expense - Governmental Activities	<u>\$617,299</u>

The infrastructure capital assets were not fully depreciated at September 30, 2018.

Construction commitments

There were no major capital asset construction events during the 2017-2018 year.

D. Interfund Receivables, Payables, and Transfers

TRANSFER OUT	TRANSFER IN		TOTAL
	GENERAL FUND	NON-MAJOR GOVERNMENTAL FUNDS	
GENERAL FUND	\$0	229,472	\$229,472
NON-MAJOR GOVERNMENTAL FUNDS	(44,000)		(44,000)
TOTALS	(\$44,000)	\$229,472	\$185,472

All of the above transfers were to provide operating capital. All of the transfers were non-recurring. There were no interfund receivables or payables at year's end.

E. Leases

Operating Leases

The government leases equipment under noncancelable operating leases. Total costs for such leases were \$37,002 for the year ended September 30, 2018. The future minimum lease payments for these leases are as follows:

Year Ending Sep. 30	<u>Amount</u>
2019	\$ 36,091
2020	24,313
2021	19,849
2022	<u>12,052</u>
Total	<u>\$ 92,305</u>

Rent expenditures were \$19,671 for the year ended September 30, 2018. Sublease rental income was \$0 for the year ended September 30, 2018. Rental income was \$2,781 for the year ended September 30, 2018.

F. Long-Term Debt

Capital Leases: The government has entered into one capital lease agreements as lessee for financing the acquisition of one (1) Chip Spreader/Gooseneck Trailer. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date. The security for the trailer is the trailer.

Assets acquired through capital leases are as follows:

Asset:	2015 CHIPSPREADER/ GOOSENECK	
	TRAILER	TOTAL
Cost	\$270,000	\$270,000
Less: Accumulated Depreciation	135,045	135,045
Total	<u>\$134,955</u>	<u>\$134,955</u>

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

YEAR	Activities	Total
2019	\$53,575	\$53,575
2020	53,576	53,576
TOTAL MINIMUM LEASE PAYMENTS	<u>107,151</u>	<u>107,151</u>
LESS: AMOUNT REPRESENTING INTEREST	5,330	5,330
PRESENT VALUE OF NET MINIMUM LEASE PAYMENTS	<u>\$101,821</u>	<u>\$101,821</u>

The above debt is to be serviced by the General Fund.

The changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	Due After One Year
<u>Governmental Activities:</u>						
Capital Lease	\$150,185	\$0	\$48,364	\$101,821	\$50,042	\$51,779
Compensated Absences	168,023	171,955	168,023	171,955	171,955	0
GASB 68 Payable	74,457		74,457	0		0
Grand Total	<u>\$392,665</u>	<u>\$171,955</u>	<u>\$290,844</u>	<u>\$273,776</u>	<u>\$221,997</u>	<u>\$51,779</u>

The general fund and the road and bridge fund are used to service the compensated absences. The estimated amount due in the 2018-19 year is \$171,955. The compensated absences are deemed to be current liabilities.

The government-wide statement of activities includes \$221,997 as "non-current liabilities, due within one year".

The total amount of interest expensed in 2017-2018 is \$5,212.

## V. Other Information

### A. Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no instances where settlements exceeded insurance coverage in any of the three previous years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

1. General Liability Insurance

The County is insured for general, police officers and automobile liability.

The County has joined together with other governments in the Texas Association of Counties Risk Management Pool. The County pays an annual premium to Risk Management for auto vehicle insurance coverage. The agreement with Risk Management provides that Risk Management will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 to \$300,000 for each insurance event. The County anticipates no contingent losses.

Texas Association of Counties Risk Management Pool has published its own financial report that can be obtained from the Texas Association of Counties Risk Management Pool.

The County continues to carries commercial fidelity bonds for elected officials and for management.

2. Property and Casualty Insurance

Property, casualty, mobile equipment insurance is provided by Texas Association of Counties Risk Management Pool.

3. Workers' Compensation Insurance

The County insures against workers' compensation claims through Texas Association of Counties Risk Management Pool.

4. Group Health and Life Insurance

The County maintains a group health insurance plan for active employees and their eligible dependents. Costs are recorded in the fund from which the employees' compensation is paid.

5. Unemployment Compensation Insurance

The County insures for unemployment compensation claims through an agreement with the Texas Association of Counties.

B. Related Party Transaction

Ann Lopez is the Commissioner of Pct. No. 1; her sister Lorraine Lopez is Justice of the Peace No. 1.

Rita Trojcak is the County Treasurer; her sister-in-law Cindy Henderson is the Chief Deputy County Treasurer.

David Vega is the Commissioner of Pct. No. 2; his brother James Vega is a Gang Pusher for Pct. No. 2.

C. Subsequent Events

On November 13, 2018, approval was given to increase the October 3, 2017 LNV contract from \$250,000 to \$500,000.

On October 18, 2018, a loan was secured from Government Capital Corporation of \$200,000 for a voting machine.

D. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The County is not a defendant in any lawsuit at September 30, 2018.

E. Hurricane Harvey

Refugio County sustained severe wind and water damage as a result of Hurricane Harvey. The County has an insurance policy and is also receiving money from FEMA for debris removal. The County will continue to receive monies from FEMA for construction and repairs to County property. At the time of the audit report, the extent of the cost of repairs and/or construction to County property is unknown. These amounts are to be received from both FEMA and insurance; and not from the County.

F. Tax Abatements

There were no tax abatements at September 30, 2018.

**G. Summary of TCDRS Funding Policy**  
**Net Pension Liability / (Asset)**

Net Pension Liability / (Asset)	December 31, 2016	December 31, 2017
Total pension liability	\$15,515,275	\$16,300,096
Fiduciary net position	15,440,818	17,420,077
Net pension liability/(asset)	74,457	(1,119,981)
Fiduciary net position as a % of total pension liability	99.52%	106.87%
Pensionable covered payroll	\$4,909,575	\$4,622,267
Net Pension liability as a % of covered payroll	1.52%	(24.23%)

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below.

*Note: Rounding differences may exit above or in other tables in this report.*

**Discount Rate**

Discount rate	8.10%	8.10%
Long-term expected rate of return, net of investment expense	8.10%	8.10%
Municipal bond rate	Does not apply	Does not apply

**Other Key Actuarial Assumptions**

All actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 - December 31, 2016, except where required to be different by GASB 68.

See Appendix B of this report (Actuarial Methods and Assumptions Used for GASB Calculations) for a listing of key assumptions used in the calculation of the total pension liability and other GASB 68 metrics.

See Appendix C (Actuarial Methods and Assumptions Used for Funding Valuation) of this report for a full description of the actuarial assumptions used in the funding valuation.

	Beginning Date	Ending Date
Valuation date	December 31, 2016	December 31, 2017
Measurement date	December 31, 2016	December 31, 2017
Employer's fiscal year	January 1, 2018	December 31, 2018

## Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 1Q-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 — December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.500/0	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.550/0
Global Equities	MSCI World (net) Index	1.500/0	4.85%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	11.00%	4.55%
Int'l Equities - Emerging Markets	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(8)</sup> Hedge Fund Research, Inc. (HFRI) Fund of Funds	6.00%	6.25%
Hedge Funds	Composite Index	18.00%	4.10%

## Depletion of Plan Assets / GASB Discount Rate

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

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

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

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's 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.

As additional documentation for auditing purposes, we have shown the projection of the Fiduciary Net Position in the following exhibit ("Projection of Fiduciary Net Position").

**Projection of Fiduciary Net Position**

Calendar Year Ending	Projected Beginning Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Fiduciary Net Position (a)+(b)-(c)-(d)+(e)
2018	\$17,420,077	\$568,880	\$1,047,725	\$17,420	\$1,391,319	\$18,315,132
2019	18,315,132	524,236	932,458	18,315	1,466,587	19,355,182
2020	19,355,182	459,951	1,023,014	19,355	1,544,641	20,317,405
2021	20,317,405	429,041	1,127,439	20,317	1,617,169	21,215,857
2022	21,215,857	405,657	1,200,174	21,216	1,686,090	22,086,216
2023	22,086,216	380,889	1,298,564	22,086	1,751,664	22,898,118
2024	22,898,118	359,311	1,371,331	22,898	1,813,649	23,676,849
2025	23,676,849	338,827	1,479,565	23,677	1,871,584	24,384,018
2026	24,384,018	319,097	1,559,016	24,384	1,924,898	25,044,614
2027	25,044,614	302,442	1,655,038	25,045	1,973,906	25,640,878
2037	29,208,806	167,687	2,173,798	29,209	2,285,088	29,458,573
2047	30,499,895	65,357	2,364,495	30,500	2,377,978	30,548,235
2057	31,493,715	14,005	2,135,224	31,494	2,465,503	31,806,505
2067	39,562,160	630	1,473,371	39,562	3,144,479	41,194,336
2077	67,477,832	0	762,067	67,478	5,432,762	72,081,049
2087	137,504,458	0	237,052	137,504	11,122,987	148,252,889
2097	294,844,018	0	18,951	294,844	23,869,904	318,400,128

**Changes in Net Pension Liability / (Asset)**

<b>Changes in Net Pension Liability / (Asset)</b>	<b>Total</b>		
	<b>Pension Liability (a)</b>	<b>Fiduciary Net Position (b)</b>	<b>Net Pension Liability / (Asset) (a) - (b)</b>
Balances as of December 31, 2016	\$15,515,275	\$15,440,818	\$74,457
Changes of the year:			
Service cost	495,313		495,313
Interest on total pension liability	1,264,177		1,264,177
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	(339,377)		(339,377)
Effect of assumptions changes or inputs	187,662		187,662
Refund of contributions	(135,945)	(135,945)	0
Benefit payments	(687,009)	(687,009)	0
Administrative expenses		(11,585)	11,585
Member contributions		323,559	(323,559)
Net investment income		2,249,714	(2,249,714)
Employer contributions		244,057	(244,057)
Other	0	(3,531)	3,531
Balances as of December 31, 2017	\$16,300,096	\$17,420,077	\$(1,119,981)

**Sensitivity Analysis**

The following presents the net pension liability of the employer, calculated using the discount rate of 8.10%, as well as what the Refugio 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.

	<b>1% Decrease 7.10%</b>	<b>Current Discount Rate 8.10%</b>	<b>1% Increase 9.10%</b>
Total pension liability	\$18,240,313	\$16,300,096	\$14,647,623
Fiduciary net position	17,420,077	17,420,077	17,420,077
Net pension liability/(asset)	\$820,236	\$(1,119,981)	(\$2,772,454)

**Pension Expense / (Income)**

<b>Pension Expense / (Income)</b>	<b>January 1, 2017 to December 31, 2017</b>
Service cost	\$495,313
Interest on total pension liability	1,264,177
Effect of plan changes	0
Administrative expenses	11,585
Member contributions	(323,559)
Expected investment return net of investment expenses	(1,239,966)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(281,773)
Recognition of assumption changes or inputs	84,376
Recognition of investment gains or losses	62,317
Other	3,531
Pension expense	\$76,001

As of December 31, 2017, the deferred inflows and outflows of resources are as follows:

<b>Deferred Inflows/Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$428,104	\$0
Changes of assumptions	0	215,667
Net difference between projected and actual earnings	297,139	0
Contributions made subsequent to measurement date	N/A	Employer determined

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

Year ending December 31:

2018	\$(24,937)
2019	(61,084)
2020	(221,606)
2021	(201,949)
2022	0
Thereafter	0

**Schedule of Deferred Inflows and Outflows of Resources**

Expense / (Income) Calculation				Balances of Deferred Inflows and Outflows as of 12/31/2017	
Original Amount	Date Established	Original Recognition Period	Amount Recognized for 2017	Inflows	Outflows
(a)	(b)	(c)	(a) / (c)		
<b>Investment (gains) or losses</b>					
(\$1,009,747)	12/31/2017	5.0	(\$201,949)	\$807,798	\$0
91,363	12/31/2016	5.0	18,273	0	54,818
1,049,236	12/31/2015	5.0	209,847	0	419,694
180,734	12/31/2014	5.0	36,147	0	36,147
<b>Economic/demographic (gains) or losses</b>					
(339,377)	12/31/2017	4.0	(84,844)	254,532	0
(119,405)	12/31/2016	4.0	(29,851)	59,703	0
(284,671)	12/31/2015	5.0	(56,934)	113,868	0
(440,572)	12/31/2014	4.0	(110,143)	0	0
<b>Assumption changes or inputs</b>					
187,662	12/31/2017	4.0	46,916	0	140,747
0	12/31/2016	4.0	0	0	0
187,301	12/31/2015	5.0	37,460	0	74,920
0	12/31/2014	4.0	0	0	0

**Schedule of Changes in Net Pension Liability and Related Ratios**

	Year Ended December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Total Pension Liability</b>										
Service cost	\$495,313	\$639,416	\$588,092	\$556,571	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	1,264,177	1,176,621	1,117,545	1,077,810	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	0	(82,144)	0	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	187,662	0	187,301	0	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(339,377)	(119,405)	(284,671)	(440,572)	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(822,953)	(773,079)	(767,802)	(772,628)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	784,822	923,554	758,321	421,181	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	<u>15,515,275</u>	<u>14,591,721</u>	<u>13,833,400</u>	<u>13,412,219</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$16,300,096</u>	<u>\$15,515,275</u>	<u>\$14,591,721</u>	<u>\$13,833,400</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Fiduciary Net Position</b>										
Employer contributions	\$244,057	\$306,849	\$357,204	\$353,978	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	323,559	343,670	378,277	352,468	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	2,249,714	1,070,336	112,200	922,450	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(822,953)	(773,079)	(767,802)	(772,628)	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(11,585)	(11,501)	(10,256)	(10,733)	N/A	N/A	N/A	N/A	N/A	N/A
Other	(3,531)	190,017	23,391	(291,897)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	1,979,259	1,126,292	93,014	553,639	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>15,440,818</u>	<u>14,314,526</u>	<u>14,221,512</u>	<u>13,667,873</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$17,420,077</u>	<u>\$15,440,818</u>	<u>\$14,314,526</u>	<u>\$14,221,512</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>(\$1,119,981)</u>	<u>\$74,457</u>	<u>\$277,195</u>	<u>(\$388,111)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	106.87%	99.52%	98.10%	102.81%	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	4,622,267	4,909,575	5,402,995	5,035,263	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability/(asset) as % of covered payroll	-24.23%	1.52%	5.13%	-7.71%	N/A	N/A	N/A	N/A	N/A	N/A

### Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	\$193,918	\$193,918	0	\$3,189,437	6.1%
2009	205,320	205,320	0	3,399,336	6.0%
2010	241,880	241,880	0	3,557,054	6.8%
2011	249,407	249,407	0	3,814,422	6.5%
2012	306,821	306,873	(52)	4,565,789	6.7%
2013	327,010	327,010	0	4,816,078	6.8%
2014	353,978	353,978	0	5,035,263	7.0%
2015	357,138	357,204	(66)	5,402,995	6.6%
2016	306,849	306,849	0	4,909,575	6.3%
2017	244,057	244,057	0	4,622,267	5.3%

## Notes to Schedule

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

### Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	4.4 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

## Appendix A— GASB 68 Plan Description for Refugio County

A description of the pension plan pursuant to Paragraph 40 of GASB Statement No. 68 is as follows:

- a. Refugio County participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
  - 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
  - 2) The plan provides retirement, disability and survivor benefits.
  - 3) TCDRS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 190%) and is then converted to an annuity.
  - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
  - 5) Benefit terms are established under the TCDRS Act. They may be amended as of Jan. 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Refugio County contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2017 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCDRS can be found at the following link, [www.tcdrs.org](http://www.tcdrs.org).

### Membership Information

Members	Dec. 31, 2016	Dec. 31, 2017
Number of inactive employees entitled to but not yet receiving benefits:	86	82
Number of active employees:	115	117
Average monthly salary*:	\$3,145	\$3,281
Average age*:	48.78	50.30
Average length of service in years*:	10.16	10.60
<hr/>		
<b>Inactive Employees (or their Beneficiaries) Receiving Benefits</b>		
Number of benefit recipients:	75	77
Average monthly benefit:	\$722	\$709

**Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations**

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2017 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Refugio County December 31, 2017 Summary Valuation Report for further details.

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis 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
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	5 years
Smoothing period	Non-asymptotic
Recognition	None
method Corridor	Same as funding valuation: See Appendix C
Inflation	Same as funding valuation: See Appendix C
Salary Increases	8.10% (Gross of administrative expenses)
Investment Rate of Return	
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Refugio County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as funding valuation: See Appendix C
Turnover	Same as funding valuation: See Appendix C
Mortality	Same as funding valuation: See Appendix C

## Appendix C—Actuarial Methods and Assumptions Used for Funding Valuation

Except where indicated in the section of this GASB 68 report entitled "Actuarial Methods and Assumptions Used for GASB Calculations", the assumptions used in this analysis for the December 31, 2016 financial reporting metrics are the same as those used in the December 31, 2017 actuarial valuation analysis for Refugio County.

The following is a description of the assumptions used in the December 31, 2017 actuarial valuation analysis for Refugio County. This information may also be found in the Refugio County December 31, 2017 Summary Valuation Report.

### Economic Assumptions

TCDRS system-wide economic assumptions:

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

The assumed long-term investment return of 8% is net after investment and administrative expenses. It is assumed returns will equal the nominal annual rate of 8% for calculating the actuarial accrued liability and the normal cost contribution rate for the retirement plan of each participating employer.

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 for funding calculations	2.75%

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

**Table 1**  
**Merit Salary Increase**

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	1.50	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

## Demographic Assumptions

TCDRS system-wide demographic assumptions:

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

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

**Table 2**  
**Annual Rates of Disability**

Age	Work Related Male and Female	All Other Causes Male and Female	Age	Work Related Male and Female	All Other Causes Male and Female
less than			43	0.004%	0.058%
25	0.000%	0.000%	44	0.004	0.063
25	0.000	0.000	45	0.004	0.069
26	0.000	0.000	46	0.005	0.076
27	0.000	0.000	47	0.006	0.084
28	0.000	0.008	48	0.007	0.095
29	0.000	0.008	49	0.009	0.109
30	0.000	0.009	50	0.010	0.125
31	0.000	0.010	51	0.012	0.142
32	0.000	0.010	52	0.013	0.162
33	0.000	0.011	53	0.015	0.183
34	0.000	0.014	54	0.018	0.203
35	0.001	0.018	55	0.018	0.222
36	0.001	0.022	56	0.018	0.238
37	0.002	0.028	57	0.018	0.250
38	0.002	0.033	58	0.018	0.259
39	0.002	0.038	59	0.018	0.270
40	0.002	0.042	60 & Above	0.018	0.000
41	0.003	0.047			
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, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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.

**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	10.0	10.0	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			

Employer-specific demographic assumptions:

Other Terminations of Employment — The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are illustrated in Table 4. The rates vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.

**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	30.1%	32.6%	25.0%	27.2%	21.3%	23.0%	20.1%	21.7%
1	20.5	22.3	17.3	18.7	14.7	15.9	13.9	14.9
2	15.3	16.6	13.0	14.0	11.0	12.0	10.4	11.3
3	12.2	13.1	10.4	11.3	8.8	9.5	8.3	9.0
4	10.0	10.9	8.6	9.4	7.4	7.9	6.9	7.5
5	8.9	9.7	7.7	8.5	6.6	7.2	6.2	6.8
6	7.9	8.6	6.9	7.5	5.9	6.4	5.5	6.0
7	7.0	7.7	6.2	6.8	5.3	5.8	5.0	5.4
8	5.9	6.3	5.2	5.6	4.4	4.8	4.1	4.5
9	5.6	6.0	5.0	5.4	4.2	4.6	4.1	4.3
10	5.0	5.3	4.5	4.9	3.8	4.1	3.6	3.9
11	4.3	4.7	4.0	4.3	3.4	3.7	3.2	3.4
12	4.0	4.2	3.6	4.0	3.1	3.3	2.9	3.2
13	3.5	3.8	3.2	3.6	2.8	3.1	2.6	2.9
14	3.2	3.3	3.0	3.2	2.5	2.7	2.3	2.5
15	2.7	3.0	2.6	2.8	2.2	2.4	2.1	2.3
16	2.3	2.5	2.3	2.4	1.9	2.1	1.8	2.0
17	2.1	2.3	2.0	2.2	1.7	1.8	1.6	1.7
18	1.8	1.9	1.7	1.9	1.4	1.6	1.4	1.5
19	1.5	1.7	1.5	1.7	1.4	1.4	1.3	1.4
20	1.4	1.6	1.4	1.6	1.2	1.3	1.2	1.3
21	1.3	1.5	1.3	1.5	1.1	1.2	1.1	1.2
22	1.2	1.4	1.2	1.4	1.0	1.1	1.0	1.1
23	1.1	1.3	1.1	1.3	0.9	1.0	0.9	1.0
24	1.1	1.2	1.1	1.2	0.9	1.0	0.9	0.9
25	1.0	1.1	1.0	1.1	0.8	0.9	0.8	0.9
26	1.0	1.0	1.0	1.0	0.8	0.9	0.8	0.8
27	0.9	0.9	0.9	0.9	0.7	0.8	0.7	0.7
28	0.9	0.8	0.9	0.8	0.7	0.8	0.7	0.7
29	0.8	0.7	0.8	0.7	0.6	0.7	0.6	0.6
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 your plan are shown in Table 5. For non-depositing members who are not vested, 100% are assumed to elect a withdrawal.

**Table 5**  
**Probability of Withdrawal**

<b>Years of Service</b>	<b>Probability</b>	<b>Years of Service</b>	<b>Probability</b>
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	100	23	22
9	100	24	20
10	45	25	18
11	44	26	16
12	43	27	14
13	42	28	12
14	41	29*	10

REQUIRED SUPPLEMENTARY INFORMATION

**Schedule of Changes in Net Pension Liability and Related Ratios**

	Year Ended December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Total Pension Liability</b>										
Service cost	\$495,313	\$639,416	\$588,092	\$556,571	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	1,264,177	1,176,621	1,117,545	1,077,810	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	0	(82,144)	0	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	187,662	0	187,301	0	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	(339,377)	(119,405)	(284,671)	(440,572)	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(822,953)</u>	<u>(773,079)</u>	<u>(767,802)</u>	<u>(772,628)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in total pension liability	784,822	923,554	758,321	421,181	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	<u>15,515,275</u>	<u>14,591,721</u>	<u>13,833,400</u>	<u>13,412,219</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$16,300,096</u>	<u>\$15,515,275</u>	<u>\$14,591,721</u>	<u>\$13,833,400</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Fiduciary Net Position</b>										
Employer contributions	\$244,057	\$306,849	\$357,204	\$353,978	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	323,559	343,670	378,277	352,468	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	2,249,714	1,070,336	112,200	922,450	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(822,953)	(773,079)	(767,802)	(772,628)	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(11,585)	(11,501)	(10,256)	(10,733)	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>(3,531)</u>	<u>190,017</u>	<u>23,391</u>	<u>(291,897)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in fiduciary net position	1,979,259	1,126,292	93,014	553,639	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>15,440,818</u>	<u>14,314,526</u>	<u>14,221,512</u>	<u>13,667,873</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$17,420,077</u>	<u>\$15,440,818</u>	<u>\$14,314,526</u>	<u>\$14,221,512</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>(\$1,119,981)</u>	<u>\$74,457</u>	<u>\$277,195</u>	<u>(\$388,111)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Fiduciary net position as a % of total pension liability</b>										
	106.87%	99.52%	98.10%	102.81%	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	4,622,267	4,909,575	5,402,995	5,035,263	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability/(asset) as % of covered payroll	-24.23%	1.52%	5.13%	-7.71%	N/A	N/A	N/A	N/A	N/A	N/A

### Schedule of Employer Contributions

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2008	\$193,918	\$193,918	0	\$3,189,437	6.1%
2009	205,320	205,320	0	3,399,336	6.0%
2010	241,880	241,880	0	3,557,054	6.8%
2011	249,407	249,407	0	3,814,422	6.5%
2012	306,821	306,873	(52)	4,565,789	6.7%
2013	327,010	327,010	0	4,816,078	6.8%
2014	353,978	353,978	0	5,035,263	7.0%
2015	357,138	357,204	(66)	5,402,995	6.6%
2016	306,849	306,849	0	4,909,575	6.3%
2017	244,057	244,057	0	4,622,267	5.3%

## Notes to Schedule

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

### Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	4.4 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

## **Appendix B—Actuarial Methods and Assumptions Used for GASB Calculations**

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2017 funding valuation (see Appendix C, following, for details), except as noted below and throughout this report. Please see the Refugio County December 31, 2017 Summary Valuation Report for further details.

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

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis 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
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	5 years
Smoothing period	Non-asymptotic
Recognition method	None
Corridor	Same as funding valuation: See Appendix C
Inflation	Same as funding valuation: See Appendix C
Salary Increases	8.10% (Gross of administrative expenses)
Investment Rate of Return	Cost-of-Living Adjustments for Refugio County 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.
Cost-of-Living Adjustments	
Retirement Age	Same as funding valuation: See Appendix C
Turnover	Same as funding valuation: See Appendix C
Mortality	Same as funding valuation: See Appendix C

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

REFUGIO COUNTY, TEXAS  
 COMBINING BALANCE SHEET - ROAD AND BRIDGE FUNDS  
 SEPTEMBER 30, 2018

	Road and Bridge	Road and Bridge Special	Lateral Road	Total Road and Bridge
<b>ASSETS</b>				
Cash and Cash Equivalents	\$841,711	\$547,867	\$112,858	\$1,502,436
Receivables (net of allowance for uncollectibles)	94,332	1,530		95,862
Prepaid Expenses	15,351			15,351
Total Assets	<u>\$951,394</u>	<u>\$549,397</u>	<u>\$112,858</u>	<u>\$1,613,649</u>
<b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable	\$163,962			\$163,962
Accrued Wages Payable	708			708
Total Liabilities	<u>164,670</u>	<u>0</u>	<u>0</u>	<u>164,670</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue-Property Taxes				
Total deferred inflows of resources	<u>36,287</u>	<u>0</u>	<u>0</u>	<u>36,287</u>
Fund Balances:				
Non-Spendable				
Prepaid Items	15,351			15,351
Restricted				
Public Transportation	735,086	549,397	112,858	1,397,341
Total Fund Balance	<u>750,437</u>	<u>549,397</u>	<u>112,858</u>	<u>1,412,692</u>
Total Liabilities and Fund Balances	<u>\$951,394</u>	<u>\$549,397</u>	<u>\$112,858</u>	<u>\$1,613,649</u>

The accompanying notes are an integral part of this statement.

REFUGIO COUNTY, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES - ROAD AND BRIDGE FUNDS  
 YEAR ENDED SEPTEMBER 30, 2018

	Road and Bridge	Road and Bridge Special	Lateral Road	Total Road and Bridge
<i>REVENUES</i>				
Taxes				
Property	\$547,230			\$547,230
Intergovernmental	360,480	72,102	11,388	443,970
Licenses and Permits	259,312			259,312
Charges for Services	30,798			30,798
Fines and Forfeitures	695,789			695,789
Interest	3,446	2,384	523	6,353
Miscellaneous	14,253			14,253
Total Revenues	<u>1,911,308</u>	<u>74,486</u>	<u>11,911</u>	<u>1,997,705</u>
<i>EXPENDITURES</i>				
Current:				
Public Transportation				
Road and Bridge	1,919,440	12,654		1,932,094
Debt Service				
Principal Retirement	48,364			48,364
Interest and Fiscal Charges	5,212			5,212
Total Expenditures	<u>1,973,016</u>	<u>12,654</u>	<u>0</u>	<u>1,985,670</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(61,708)</u>	<u>61,832</u>	<u>11,911</u>	<u>12,035</u>
<i>OTHER FINANCING SOURCES (USES):</i>				
Other Financing Sources - Capital Leases				0
Operating Transfers Out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Changes in Fund Balances	(61,708)	61,832	11,911	12,035
Fund Balances - Beginning	812,145	487,565	100,947	1,400,657
Fund Balances - Ending	<u>\$750,437</u>	<u>\$549,397</u>	<u>\$112,858</u>	<u>\$1,412,692</u>

The accompanying notes are an integral part of this statement.

REFUGIO COUNTY, TEXAS  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2018

	SPECIAL REVENUE																	
	AIRPORT FUND	ASSET SHARING	ATTORNEY ADMINI- STRATION	COUNTY CLERK RECORD MANAGEMENT	COURT- HOUSE SECURITY	COURT TECH- NOLOGY	DISTRICT CLERK RECORD MANAGEMENT	ELDERLY SERVICES FUND	ELECTION ADMINI- STRATION	EMPLOY- MENT CONTIN- GENCY	ESTRAY FUND	GRANT FUND	JAIL COMM- ISSARY	JURY	JUSTICE COURT TECH	JUVENILE SERVICES	LAW LIBRARY	LEOSE TRAINING FIRE
ASSETS																		
Cash and Cash Equivalents	\$144,530	\$144,642	\$3,650	\$211,345	\$92,197	\$9,871	\$20,443	\$23,294	\$8,921	\$102,571	\$2,430	\$131,700	\$15,707	\$33,915	\$70,501	\$10,093	\$8,230	
Receivables (net of allowance for uncollectibles)	3,502			2,245	2,022	125	200	19,756					40	1,790				
Due from Other Funds											65							
Prepaid Expenses								843										
<b>Total Assets</b>	<b>\$148,032</b>	<b>\$144,642</b>	<b>\$3,650</b>	<b>\$213,590</b>	<b>\$94,219</b>	<b>\$9,996</b>	<b>\$20,643</b>	<b>\$43,893</b>	<b>\$8,921</b>	<b>\$102,571</b>	<b>\$2,430</b>	<b>\$65</b>	<b>\$131,700</b>	<b>\$15,747</b>	<b>\$35,705</b>	<b>\$70,501</b>	<b>\$10,093</b>	<b>\$8,230</b>
LIABILITIES AND FUND BALANCES																		
Liabilities																		
Accounts Payable	\$889							\$2,564							\$18	\$624		
Accrued Wages Payable								148										
Due to Other Funds																		
Bank Overdraft																		
<b>Total Liabilities</b>	<b>889</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,712</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>624</b>	<b>0</b>
Fund Balances																		
Non-Spendable																		
Prepaid Items								843										
Restricted																		
Environmental Protection																		
General Administration									8,921		65							
General Administration - Records				213,590														
Judicial			3,650			9,996	20,643					15,747	35,705			9,469		
Health and Welfare								40,338										
Permanent Improvement																		
Public Safety					94,219						2,430	131,700			70,483		8,230	
Committed																		
Culture and Recreation	147,143																	
General Administration		144,642								102,571								
Public Facilities																		
Public Safety																		
Unassigned																		
<b>Total Fund Balances</b>	<b>147,143</b>	<b>144,642</b>	<b>3,650</b>	<b>213,590</b>	<b>94,219</b>	<b>9,996</b>	<b>20,643</b>	<b>41,181</b>	<b>8,921</b>	<b>102,571</b>	<b>2,430</b>	<b>65</b>	<b>131,700</b>	<b>15,747</b>	<b>35,705</b>	<b>70,483</b>	<b>9,469</b>	<b>8,230</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$148,032</b>	<b>\$144,642</b>	<b>\$3,650</b>	<b>\$213,590</b>	<b>\$94,219</b>	<b>\$9,996</b>	<b>\$20,643</b>	<b>\$43,893</b>	<b>\$8,921</b>	<b>\$102,571</b>	<b>\$2,430</b>	<b>\$65</b>	<b>\$131,700</b>	<b>\$15,747</b>	<b>\$35,705</b>	<b>\$70,501</b>	<b>\$10,093</b>	<b>\$8,230</b>

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

SPECIAL REVENUE									CAPITAL PROJECT				TOTAL.
LEOSE TRAINING CONST- ABLE NO. 1	LEOSE TRAINING CONST- ABLE NO. 2	LIBRARY FUND	NARCO-TICS FUND	PRE TRIAL DIVER- SION	RECORD MANAGEMENT AND PRES- ERVATION	SPECIAL FOR- EITURE	TCLEOSE TRAINING	VEHICLE REPLACE- MENT	CAPITAL IMPROVE- MENT FUND	COASTAL PROTEC- TION	COURT- HOUSE RESTOR- ATION	DISASTER FUND	NON-MAJOR GOVERN- MENTAL FUND
\$6,064	\$4,233	\$41,395	\$99,050	\$118,598	\$84,450	\$57,592	\$8,490	\$102,667	\$1,155	\$255,666	\$116,496	\$0	\$1,929,896
				11,752	290			3,580					45,302
													65
													843
\$6,064	\$4,233	\$41,395	\$99,050	\$130,350	\$84,740	\$57,592	\$8,490	\$106,247	\$1,155	\$255,666	\$116,496	\$0	\$1,976,106
				\$117									\$4,212
													148
													0
													0
0	0	0	0	117	0	0	0	0	0	0	0	0	4,360
													843
					84,740					255,666			255,666
													8,986
													298,330
				130,233									225,443
			99,050										139,388
6,064	4,233					57,592	8,490		1,155				1,155
													383,441
		41,395						106,247					188,538
											116,496		353,460
													116,496
													0
													0
6,064	4,233	41,395	99,050	130,233	84,740	57,592	8,490	106,247	1,155	255,666	116,496	0	1,971,746
\$6,064	\$4,233	\$41,395	\$99,050	\$130,350	\$84,740	\$57,592	\$8,490	\$106,247	\$1,155	\$255,666	\$116,496	\$0	\$1,976,106



SPECIAL REVENUE									CAPITAL PROJECT				TOTAL.
LEOSE TRAINING	LEOSE TRAINING		NARCO-TICS	PRE TRIAL DIVER-SION	RECORD MANAGEMENT AND PRES-ERVATION	SPECIAL FOR- EITURE	TCLEOSE TRAINING	VEHICLE REPLACE- MENT	CAPITAL IMPROVE- MENT FUND	COASTAL PROTEC- TION	COURT- HOUSE RESTOR- ATION	DISASTER FUND	NON-MAJOR GOVERN- MENTAL FUND
ABLE NO. 1	ABLE NO. 2	FUND	FUND	SION	ERVATION	EITURE	TRAINING	MENT	FUND	TION	ATION	FUND	FUND
\$678	\$678							\$2,656		\$255,666			\$534,326
				36,601	3,426								246,033
		233	265	644	407	115		318			575	8	6,291
		40,225	67,095					129,343				17,118	416,443
678	678	40,458	67,360	37,245	3,833	115	2,656	129,661	0	255,666	575	17,126	1,203,093
													0
												79,988	2,597
													119,405
				25,694									53,538
													0
													224
													224,324
			47,702				3,267						58,897
													109,040
													0
													288,003
								95,395			28,500		123,895
0	0	0	47,702	25,694	0	0	3,267	95,395	0	0	28,500	79,988	979,923
678	678	40,458	19,658	11,551	3,833	115	(611)	34,266	0	255,666	(27,925)	(62,862)	223,170
													229,472
		(40,000)		(4,000)							40,000		(44,000)
0	0	(40,000)	0	(4,000)	0	0	0	0	0	0	40,000	0	185,472
678	678	458	19,658	7,551	3,833	115	(611)	34,266	0	255,666	12,075	(62,862)	408,642
5,386	3,555	40,937	79,392	122,682	80,907	57,477	9,101	71,981	1,155		104,421	62,862	1,563,104
\$6,064	\$4,233	\$41,395	\$99,050	\$130,233	\$84,740	\$57,592	\$8,490	\$106,247	\$1,155	\$255,666	\$116,496	\$0	\$1,971,746

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
AGENCY

REFUGIO COUNTY, TEXAS  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Juvenile Fee Funds	State Fees	Cash Bond Fund	County Officer Accounts	Total
<b>ASSETS</b>					
Cash and Cash Equivalents	\$17,029	\$131,952	\$63,594	\$765,801	\$978,376
Accounts Receivable	0	61,728	0		61,728
Total Assets	\$17,029	\$193,680	\$63,594	\$765,801	\$1,040,104
<b>LIABILITIES:</b>					
Accounts Payable	\$0	\$167,902	\$0	\$0	\$167,902
Due to Others	17,029	25,778	63,594	765,801	872,202
Total Liabilities	\$17,029	\$193,680	\$63,594	\$765,801	\$1,040,104

REFUGIO COUNTY, TEXAS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>JUVENILE FEE FUND</u>	BALANCE 10/1/2017	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2018
<b>ASSETS</b>				
Cash and Cash Equivalents	\$16,695	\$1,079	\$745	\$17,029
Accounts Receivable	76		76	0
Total Assets	<u>\$16,771</u>	<u>\$1,079</u>	<u>\$821</u>	<u>\$17,029</u>

<b>LIABILITIES:</b>				
Accounts Payable				\$0
Due to Others	16,771	1,079	821	17,029
Total Liabilities	<u>\$16,771</u>	<u>\$1,079</u>	<u>\$821</u>	<u>\$17,029</u>

<u>STATE FEES</u>	BALANCE 10/1/2017	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2018
<b>ASSETS</b>				
Cash and Cash Equivalents	\$133,974	\$661,675	\$663,697	\$131,952
Accounts Receivable	29,593	61,728	29,593	61,728
Total Assets	<u>\$163,567</u>	<u>\$723,403</u>	<u>\$693,290</u>	<u>\$193,680</u>

<b>LIABILITIES:</b>				
Accounts Payable	145,437	167,902	145,437	167,902
Due to Others	18,130	555,501	547,853	25,778
Total Liabilities	<u>\$163,567</u>	<u>\$723,403</u>	<u>\$693,290</u>	<u>\$193,680</u>

<u>CASH BOND FUND</u>	BALANCE 10/1/2017	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2018
<b>ASSETS</b>				
Cash and Cash Equivalents	\$63,245	\$349	\$0	\$63,594
Accounts Receivable	0			0
Total Assets	<u>\$63,245</u>	<u>\$349</u>	<u>\$0</u>	<u>\$63,594</u>

<b>LIABILITIES:</b>				
Accounts Payable				\$0
Due to Others	63,245	349	0	63,594
Total Liabilities	<u>\$63,245</u>	<u>\$349</u>	<u>\$0</u>	<u>\$63,594</u>

<u>COUNTY OFFICER ACCOUNTS</u>	BALANCE 10/1/2017	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2018
<b>ASSETS</b>				
Cash and Cash Equivalents	\$655,744	\$765,801	\$655,744	\$765,801
Accounts Receivable				0
Total Assets	<u>\$655,744</u>	<u>\$765,801</u>	<u>\$655,744</u>	<u>\$765,801</u>

<b>LIABILITIES:</b>				
Accounts Payable				\$0
Due to Others	655,744	765,801	655,744	765,801
Total Liabilities	<u>\$655,744</u>	<u>\$765,801</u>	<u>\$655,744</u>	<u>\$765,801</u>

<u>TOTAL</u>	BALANCE 10/1/2017	ADDITIONS	DEDUCTIONS	BALANCE 9/30/2018
<b>ASSETS</b>				
Cash and Cash Equivalents	\$869,658	\$1,428,904	\$1,320,186	\$978,376
Accounts Receivable	29,669	61,728	29,669	61,728
Total Assets	<u>\$899,327</u>	<u>\$1,490,632</u>	<u>\$1,349,855</u>	<u>\$1,040,104</u>

<b>LIABILITIES:</b>				
Accounts Payable	145,437	\$167,902	\$145,437	\$167,902
Due to Others	753,890	1,322,730	1,349,855	872,202
Total Liabilities	<u>\$899,327</u>	<u>\$1,490,632</u>	<u>\$1,495,292</u>	<u>\$1,040,104</u>

SINGLE AUDIT SECTION

REFUGIO COUNTY, TEXAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

SOURCE AND TITLE OF GRANT	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PASS-THROUGH TO SUBRECIPIENTS	TOTAL FEDERAL EXPENDI- TURES
<b>U.S. Department of Health and Human Services</b>				
Passed Through				
Office of the Attorney General Child Support Enforcement-Title IV-D (NM)	93.563	NONE	NONE	\$7,684
Passed Through				
Coastal Bend Area Agency on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers TITLE III-B (NM)	93.044	AAA-1048-11B	NONE	10,566
Special Programs for the Aging - Title III, Part C - Nutrition Services TITLE III-C (NM)	93.045	AAA-1048-11	NONE	33,912
Total U.S. Department of Health and Human Services				<u>52,162</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Direct Programs				
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (M) Debris Removal - Year 2018	97.036	DR4332TX EXP2233 -CAT A PA-06-TX-4332-PW-00009(0)	NONE	4,112,689
Passed Through				
Texas Division of Emergency Management Operation Stonegarden Grant Program (NM) Year 2015	97.067	NONE	NONE	83,802
Year 2016			NONE	312,920
Year 2017			NONE	66,300
				<u>463,022</u>
Total U.S. Department of Homeland Security				<u>4,575,711</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$4,627,873</u>

CFDA=CATALOGUE OF FEDERAL DOMESTIC ASSISTANCE NUMBER  
 M=MAJOR PROGRAM  
 NM=NONMAJOR PROGRAM  
 See Accompanying Notes to Schedule of Federal Financial Assistance

**BEYER & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Wayne R. Beyer, C.P.A.

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Sinton, Texas 78387

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

To the County Judge and Commissioners' Court  
Refugio, 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 Refugio, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Refugio, Texas' basic financial statements and have issued our report thereon dated May 10, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Refugio, 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 Refugio, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Refugio, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as finding 2018-1.

## **Compliance and Other Matters**

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

## **Refugio, Texas' Response to Findings**

Refugio, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Refugio, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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.

A handwritten signature in black ink that reads "Wayne R. Beyer". The signature is written in a cursive, flowing style.

BEYER & COMPANY  
Certified Public Accountants  
May 10, 2019

**BEYER & Co.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

Wayne R. Beyer, C.P.A.

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Sinton, Texas 78387

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

To the County Judge and Commissioners' Court  
Refugio County, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Refugio County, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Refugio County, Texas' major federal programs for the year ended September 30, 2018. Refugio 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Refugio County, Texas' 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 for 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 Refugio 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Refugio County, Texas' compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Refugio County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

### **Other Matters**

The results of our auditing procedures disclosed no instances of noncompliance which are required to be reported in accordance with the Uniform Guidance.

### **Report on Internal Control over Compliance**

Management of Refugio County, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Refugio County, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the 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 Refugio County, Texas' internal control over compliance.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as finding 2018-1.

Refugio County, Texas' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Refugio County, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control 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.



BEYER & COMPANY  
Certified Public Accountants  
May 10, 2019

REFUGIO COUNTY, TEXAS  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Refugio County, Texas under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Refugio County, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Refugio County, Texas.

NOTE B-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

With the exception of the FEMA Disaster Grants - Public Assistance (Presidentially Declared Disasters) – CFDA NO. 97.036, expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such 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. Expenditures reported for the FEMA Disaster Grants are reported as approved by FEMA. A summary reconciliation is presented as follows:

AMOUNT PER AUDIT REPORT	4,031,722.10
AMOUNT PER SEFA	<u>(4,112,689.02)</u>
DIFFERENCE	(80,966.92)
 <u>EXPLANATION OF DIFFERENCE</u>	
9008 (Force Account Equipment-v1)	26,511.63
9226 (Force Account Labor (Straight Time) - Debris Removal-v1)	59,777.99
Unallowed Expenditures	<u>(5,322.70)</u>
	<u>0.00</u>

NOTE C-INDIRECT COST RATE

Refugio County, Texas has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

REFUGIO COUNTY, TEXAS  
 SCHEDULE OF PRIOR AUDIT FINDINGS  
 FOR THE YEAR ENDED DECEMBER 31, 2018

Federal

There were no prior audit findings for Federal Awards.

REFUGIO COUNTY, TEXAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of the Refugio County, Texas.
2. There was one significant deficiency disclosed during the audit. There was no material weakness disclosed during the audit.
3. There were no instances of noncompliance material to the financial statements of the Refugio County, Texas, which would be required to be reported in accordance with Government Auditing Standards.
4. There was no significant deficiency over major Federal award programs disclosed during the audit. There was no material weakness over major Federal award programs disclosed during the audit.
5. The auditor's report on compliance for the major Federal award programs for Refugio County, Texas expresses an unmodified opinion on all major Federal programs.
6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance.
7. The programs tested as major programs: Disaster Grants - Public Assistance - CFDA 97.036.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Refugio County did not qualify as a low-risk auditee.

Findings:

*Significant Deficiencies:*

**2018-1 Segregation of Duties**

Condition: Segregation of Duties - due to the limited number of people working in the office, many critical duties are combined and given to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

Criteria: Internal controls should be in place that provides reasonable assurance that to the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system as possible.

Effect: Because the County does not have proper segregation of duties the possibility exists that the financial statements can be materially misstated either through mistake, error, or fraud.

Cause of Condition: This condition exists because it would be impracticable and expensive for the County to have a proper segregation of duties.

Recommendation: We recommend that the County look into the possibility of dividing up the accounting, bookkeeping/cash duties and/or to institute more oversight by management so as to avoid the possibility of financial statements being materially misstated either through mistake, error, or fraud.



## REFUGIO COUNTY AUDITOR'S OFFICE

May 13, 2019

**Margie Moeller**

County Auditor

**Linda Holder**

First Assistant

**Priscilla Zuniga**

Assistant Auditor

To Whom It May Concern:

This will address internal control for segregation of duties observed in the Refugio County audit for the year end September 30, 2018:

Due to the limited number of people working in the office, many critical duties are combined and given to the available employees. Refugio County is a small Rural County with limited funds. We are conservative with the tax dollars we receive. It is not possible to hire to enough employees to segregate duties like larger Counties. However, the County does implement a check and balance system with the best of our ability. The County will further implement to eliminate the lack of segregation of duties through a process of review and initialing with the available staff in each office.

Mailing Address:

808 Commerce

Room 107

Refugio, Texas 78377

Office Telephone:

(361)526-2245

Office Fax:

(361) 526-5389

Sincerely,

A handwritten signature in cursive script that reads "Margie Moeller".

Margie Moeller