

COUNTY OF RUNNELS
 Annual Financial Report
 Year Ended September 30, 2018

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FINANCIAL SECTION



A Limited Liability Partnership

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INDEPENDENT AUDITOR'S REPORT

The Honorable County Judge
and Commissioners' Court
County of Runnels
P.O. Box 310
Ballinger, TX 76821-0310

Report on the Financial Statements

We have audited the accompanying modified cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Runnels, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Section I., Note C.; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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. 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 County'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 County'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 modified cash-basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County of Runnels, Texas, as of September 30, 2018, and the respective changes in modified cash-basis financial position for the year then ended in accordance with the modified cash basis of accounting described in Section I., Note C.

Basis of Accounting

We draw attention to Section I., Note C. of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

The management's discussion and analysis, budgetary comparison information, and net pension liability and contributions information and total OPEB liability information for the Texas County & District Retirement System on pages 3 through 7, 38 through 40, and 41 through 43, respectively, are presented to supplement the basic financial statements. We have applied certain limited procedures to this 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Runnels' basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 information is 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 February 16, 2019, on our consideration of the County of Runnels' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County of Runnels' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Runnels' internal control over financial reporting and compliance.

Eckert & Company, LLP

February 16, 2019

RUNNELS COUNTY



COMMISSIONERS COURT

RUNNELS COUNTY COURTHOUSE
613 HUTCHINGS AVENUE, ROOM 103
BALLINGER, TEXAS 76821

Barry Hilliard, County Judge

Robert Moore, Precinct 1
Roy Mints, Precinct 3

Ronald Presley, Precinct 2
Richard W. Strube, Precinct 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the County of Runnels' financial performance provides an overview of the County's financial activities for the year ended September 30, 2018, within the limitations of the County's modified cash basis of accounting. It should be read in conjunction with the County's basic financial statements and independent auditor's report.

Financial Highlights - Modified Cash Basis of Accounting

The County's assets exceeded its liabilities at the end of the current year by \$6,126,282 (net position). Of this amount, \$3,172,649 (unrestricted) may be used to meet the County's ongoing obligations.

The County's total net position increased by \$36,264 or less than 1% as a result of current year operations. The County's statement of activities shows total revenues of \$6,671,833 and total expenses of \$6,635,569.

The total fund balance of the General Fund is \$1,982,877 which is a decrease of \$45,379 or 2% compared to the prior year.

Overview of the Financial Statements

The County's financial statements are presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's modified cash basis of accounting.

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The statement of net position presents information on all of the County's assets and liabilities resulting from the use of the modified cash basis of accounting, 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 the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the current year while keeping in mind the limitations of the modified cash basis of accounting.

The governmental activities of the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services.

The County has no component units.

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

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the current year.

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

Information is presented separately in the governmental fund balance sheet - modified cash basis and in the governmental fund statement of revenues, expenditures, and changes in fund balances - modified cash basis for the General Fund, the Jury Fund, and the Grant Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The County adopts a budget for its General Fund, Special Revenue Funds, and Debt Service Fund.

Fiduciary Funds - Fiduciary funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the County's net position is presented below:

NET POSITION - MODIFIED CASH BASIS

	<u>Governmental Activities</u>	
	<u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
Current and Other Assets	\$ 3,658,474	\$ 3,753,000
Capital Assets	<u>2,676,378</u>	<u>2,458,540</u>
 Total Assets	 <u>\$ 6,334,852</u>	 <u>\$ 6,211,540</u>
 Long-Term Liabilities Outstanding	 \$ 155,465	 \$ 98,497
Other Liabilities	<u>53,105</u>	<u>23,025</u>
 Total Liabilities	 <u>\$ 208,570</u>	 <u>\$ 121,522</u>
 Net Position		
Net Investment in Capital Assets	\$ 2,520,913	\$ 2,458,540
Restricted	432,720	400,015
Unrestricted	<u>3,172,649</u>	<u>3,231,463</u>
 Total Net Position	 <u><u>\$ 6,126,282</u></u>	 <u><u>\$ 6,090,018</u></u>

A portion of the County's net position resulting from modified cash basis transactions (\$2,520,913) reflects the County's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position (\$432,720) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$3,172,649) may be used to meet the County's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the County's net position resulting from modified cash basis transactions by \$36,264 and \$269,176 for the fiscal years ended September 30, 2018 and 2017, respectively. Key elements of these increases are as follows:

CHANGES IN NET POSITION - MODIFIED CASH BASIS

	<u>Governmental Activities</u>	
	<u>Year Ended September 30,</u>	
	<u>2018</u>	<u>2017</u>
Revenues		
Program Revenues		
Charges for Services	\$ 1,314,582	\$ 1,351,929
Operating Grants and Contributions	219,424	353,624
Capital Grants and Contributions	0	114,533
General Revenues		
Maintenance and Operations Taxes	4,389,187	4,118,563
Debt Service Taxes	5,005	184,729
Sales Taxes	533,393	497,908
Interest Earnings	107,512	63,396
Other Revenues	<u>102,730</u>	<u>175,736</u>
Total Revenues	<u>\$ 6,671,833</u>	<u>\$ 6,860,418</u>
Expenses		
General Government	\$ 1,989,922	\$ 1,899,524
Roads and Bridges	1,855,727	1,927,353
Justice System	628,194	552,801
Public Safety	932,624	829,706
Corrections and Rehabilitation	1,152,844	1,090,935
Public Health and Welfare	64,883	272,803
Culture and Recreation	11,375	11,325
Debt Service	<u>0</u>	<u>6,795</u>
Total Expenses	<u>\$ 6,635,569</u>	<u>\$ 6,591,242</u>
Change in Net Position	\$ 36,264	\$ 269,176
Net Position - Beginning	<u>6,090,018</u>	<u>5,820,842</u>
Net Position - Ending	<u>\$ 6,126,282</u>	<u>\$ 6,090,018</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the County's Funds

The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The unassigned fund balance may serve as a useful measure of the County's net resources available for spending at the end of the current year within the limitations of the County's modified cash basis of accounting.

The County's governmental funds reported combined ending fund balances on the modified cash basis of accounting of \$3,605,369, a decrease of \$124,606 or 3% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$1,982,877. All of this balance is unassigned.

Special Revenue Funds \$1,586,308. Of this balance \$1,189,772 is committed to special programs and \$396,536 is restricted by legislation.

Debt Service Fund \$36,184. This balance is restricted for payment of long-term debt principal and interest.

General Fund Budget

The original budget for the General Fund was \$4,144,568, and the final amended budget was \$4,245,199 which represents a \$100,631 increase in appropriations. Variances between the original budget and the final amended budget are shown on page 38 in the other information section of the audit report.

The County has adopted a budget for the General Fund in the amount of \$4,329,634 for the fiscal year 2019, which is an increase of \$84,435 from the fiscal year 2018.

Capital Assets and Debt - Modified Cash Basis

Capital Assets - Financial statement footnote III., D. discloses the County's capital asset activity for the year ended September 30, 2018.

Long-Term Debt - Financial statement footnote III., G. discloses the County's debt activity for the year ended September 30, 2018.

Requests for Information

The financial report is designed to provide a general overview of the County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Barry Hilliard, County Judge, County of Runnels, P.O. Box 310, Ballinger, TX 76821-0310.

Basic Financial Statements

COUNTY OF RUNNELS
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2018

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 3,593,319
Due from Fiduciary Funds	57,120
Due from Other Governments	8,035
Capital Assets:	
Land	57,007
Buildings and Improvements	1,778,925
Machinery and Equipment	840,446
Total Assets	6,334,852
LIABILITIES	
Unearned Revenue	23,333
Other Payables	29,772
Noncurrent Liabilities:	
Due Within One Year	36,529
Due in More Than One Year	118,936
Total Liabilities	208,570
NET POSITION	
Net Investment in Capital Assets	2,520,913
Restricted for:	
Restricted for Debt Service	36,184
Restricted by Legislation	396,536
Unrestricted	3,172,649
Total Net Position	\$ 6,126,282

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

COUNTY OF RUNNELS
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
General Government	\$ 1,989,922	\$ 216,391	\$ 25,200	\$ (1,748,331)
Roads and Bridges	1,855,727	671,629	65,416	(1,118,682)
Justice System	628,194	88,471	45,749	(493,974)
Public Safety	932,624	112,208	41,122	(779,294)
Corrections and Rehabilitation	1,152,844	216,339	41,937	(894,568)
Health and Welfare	64,883	9,544	-	(55,339)
Culture and Recreation	11,375	-	-	(11,375)
TOTAL PRIMARY GOVERNMENT	\$ 6,635,569	\$ 1,314,582	\$ 219,424	(5,101,563)

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes 4,389,187

Property Taxes, Levied for Debt Service 5,005

General Sales and Use Taxes 533,393

Miscellaneous Revenue 102,730

Interest Earnings 107,512

Total General Revenues 5,137,827

Change in Net Position 36,264

Net Position - Beginning 6,090,018

Net Position - Ending \$ 6,126,282

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

COUNTY OF RUNNELS
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Jury Fund	Grant Fund
ASSETS			
Cash and Cash Equivalents	\$ 1,976,831	\$ 223,702	\$ -
Due from Other Funds	44,579	790	-
Due from Other Governments	535	-	7,500
Total Assets	<u>\$ 2,021,945</u>	<u>\$ 224,492</u>	<u>\$ 7,500</u>
LIABILITIES			
Due to Other Funds	\$ -	\$ -	\$ 7,500
Unearned Revenue	23,333	-	-
Other Payables	15,735	14,037	-
Total Liabilities	<u>39,068</u>	<u>14,037</u>	<u>7,500</u>
FUND BALANCES			
Restricted Fund Balance:			
Restricted for Debt Service	-	-	-
Restricted by Legislation	-	-	-
Committed Fund Balance:			
Committed for Roads and Bridges	-	-	-
Committed for Permanent Improvements	-	-	-
Committed for Special Programs	-	-	-
Committed for Jury	-	210,455	-
Unassigned Fund Balance	1,982,877	-	-
Total Fund Balances	<u>1,982,877</u>	<u>210,455</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 2,021,945</u>	<u>\$ 224,492</u>	<u>\$ 7,500</u>

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

Other Funds	Total Governmental Funds
\$ 1,392,786	\$ 3,593,319
19,251	64,620
-	8,035
\$ 1,412,037	\$ 3,665,974
\$ -	\$ 7,500
-	23,333
-	29,772
-	60,605
36,184	36,184
396,536	396,536
853,807	853,807
100,867	100,867
24,643	24,643
-	210,455
-	1,982,877
1,412,037	3,605,369
\$ 1,412,037	\$ 3,665,974

COUNTY OF RUNNELS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
SEPTEMBER 30, 2018

Total Fund Balances - Governmental Funds	\$	3,605,369
Capital assets used in governmental activities and long term liabilities are not reported in the governmental funds financial statements. The net effect of these adjustments is to increase (decrease) net position.		2,360,043
Capital outlays and long-term debt principal payments are expenditures in the governmental funds financial statements. They are increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of these adjustments is to increase (decrease) net position.		588,980
Depreciation expense is not recognized in the governmental funds financial statements. The net effect of this adjustment is to decrease net position.		(352,495)
Debt proceeds are shown as other financing resources in the governmental funds financial statements. They are shown as an increase in debt payable in the government-wide financial statements. The net effect of this adjustment is to decrease net position.		(75,615)
Net Position of Governmental Activities	\$	6,126,282

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

COUNTY OF RUNNELS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Jury Fund	Grant Fund
REVENUES:			
Taxes	\$ 3,232,432	\$ 158,189	\$ -
Fees and Fines	221,364	5,618	-
Intergovernmental	405,001	22,416	79,147
Interest	68,799	4,920	-
Miscellaneous	85,923	-	-
Total Revenues	4,013,519	191,143	79,147
EXPENDITURES:			
Current:			
General Government	1,587,337	-	-
Roads and Bridges	-	-	-
Justice System	392,565	185,780	-
Public Safety	1,009,619	-	37,210
Corrections and Rehabilitation	1,040,827	-	-
Health and Welfare	17,175	-	41,937
Culture and Recreation	11,375	-	-
Total Expenditures	4,058,898	185,780	79,147
Excess (Deficiency) of Revenues Over (Under) Expenditures	(45,379)	5,363	-
OTHER FINANCING SOURCES (USES):			
Proceeds from Capital Leases	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	(45,379)	5,363	-
Fund Balance - October 1 (Beginning)	2,028,256	205,092	-
Fund Balance - September 30 (Ending)	\$ 1,982,877	\$ 210,455	\$ -

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

Other Funds	Total Governmental Funds
\$ 1,536,964	\$ 4,927,585
756,028	983,010
31,005	537,569
33,793	107,512
30,234	116,157
<u>2,388,024</u>	<u>6,671,833</u>
600,772	2,188,109
1,854,398	1,854,398
47,968	626,313
3,909	1,050,738
41,182	1,082,009
-	59,112
-	11,375
<u>2,548,229</u>	<u>6,872,054</u>
<u>(160,205)</u>	<u>(200,221)</u>
<u>75,615</u>	<u>75,615</u>
<u>75,615</u>	<u>75,615</u>
(84,590)	(124,606)
<u>1,496,627</u>	<u>3,729,975</u>
<u>\$ 1,412,037</u>	<u>\$ 3,605,369</u>

COUNTY OF RUNNELS
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
& CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ (124,606)
Current year capital outlays and long-term debt principal payments are expenditures in the governmental funds financial statements. They are increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of these adjustments is to increase (decrease) net position.	588,980
Depreciation is not recognized as an expense in the governmental funds financial statements. The net effect of this adjustment is to decrease net position.	(352,495)
Debt proceeds are shown as other financing resources in the governmental funds financial statements. They are shown as an increase in debt payable in the government-wide financial statements. The net effect of this adjustment is to decrease net position.	(75,615)
Change in Net Position of Governmental Activities	<u><u>\$ 36,264</u></u>

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

COUNTY OF RUNNELS
STATEMENT OF FIDUCIARY NET POSITION - MODIFIED CASH BASIS
FIDUCIARY FUNDS
SEPTEMBER 30, 2018

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 298,257
Due from Fiduciary Funds	8,753
	<hr/>
Total Assets	<u>\$ 307,010</u>
LIABILITIES	
Due to Other Funds	\$ 65,873
Due to Other Governments	107,514
Due to Others	133,623
	<hr/>
Total Liabilities	<u>\$ 307,010</u>

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

COUNTY OF RUNNELS
Notes to the Financial Statements
September 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Runnels, Texas, prepares its basic financial statements on the modified cash basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America.

A. Reporting Entity

The County of Runnels, Texas, was organized by an Act of the Texas Legislature in 1880. The County is governed by the Commissioners' Court, a five-member group consisting of an elected County Judge and four County Commissioners elected from individual precincts. Services provided by the County include public transportation through roads and bridges, judicial, public safety, corrections and rehabilitation, public health and welfare, and culture and recreation, as well as general administrative and support services. There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the County and (2) grants and contributions - payments from organizations outside the County that are restricted to meeting the operational or capital requirements of a particular function or segment of the County. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

All interfund transactions between governmental funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as interfund receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

C. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe how transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus within the limitations of the modified cash basis of accounting, as are the fiduciary fund financial statements.

The fund financial statements are reported using the current financial resources measurement focus as applied to the modified cash basis of accounting.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus and Basis of Accounting - Continued

Governmental funds utilize a current financial resources measurement focus. Current financial assets and liabilities are generally the only items included on their balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. Fund balance is used to measure available spendable financial resources at the end of the period.

Basis of Accounting

The government-wide financial statements and the fund financial statements are presented using the modified cash basis of accounting. This basis of accounting recognizes assets, liabilities, net position, fund equity, revenues, expenditures, and expenses when they result from cash transactions with a provision for depreciation in the government-wide financial statements. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America.

The use of the modified cash basis of accounting results in certain assets and their related revenues (such as accounts receivable and revenues for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable, expenses for goods or services received but not yet paid, and accrued expenses and liabilities) not being recorded in these financial statements.

The government reports the following major governmental funds:

General Fund - This Fund is the general operating fund of the County. It is used to account for all revenues except those required to be accounted for in other funds.

Jury Fund - This Fund is a special revenue fund and is used to account for revenues for the County and District Courts.

Grant Fund - This Fund is a special revenue fund and is used to account for revenues for federal and state grant projects.

Additionally, the government reports the following fund type:

Fiduciary Funds - These Funds are used to account for resources which are collected by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, or other County funds.

D. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

E. Capital Assets

In the government-wide financial statements, capital assets arising from modified cash basis transactions are reported in the statement of net position. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

E. Capital Assets - Continued

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.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-30
Machinery and Equipment	5-10

In the fund financial statements, capital assets arising from modified cash basis transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

F. Long-Term Debt

Long-term debt arising from modified cash basis transactions to be repaid from governmental resources is reported as liabilities in the government-wide financial statements.

Long-term debt arising from modified cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payments of principal and interest are reported as expenditures.

G. Compensated Absences

County employees are entitled to vacation and sick leave based on their length of employment. Sick leave accumulates but does not vest. Vacation leave does not accumulate or vest. Employees who retire or voluntarily terminate employment will be paid for 50 days of unused sick leave if they have worked for the County for more than eight years and have accumulated more than 50 days of sick leave. Employees who voluntarily terminate employment will be paid for any unused vacation leave.

H. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.

Restricted by Legislation - This component of net position represents the difference between assets and liabilities of certain Special Revenue Funds that consists of assets with constraints placed on their use by state legislation.

Unrestricted - This is the difference between assets and liabilities that is not reported as Net Investment in Capital Assets, Restricted for Debt Service, or Restricted by Legislation.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

I. Fund Balances

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Commissioners' Court, the County's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Commissioners' Court.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are 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 the Commissioners' Court has provided otherwise in its commitment or assignment actions.

J. Property Tax Revenues

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Property taxes are recognized as revenues when they are collected.

K. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

The County prepares and adopts a budget for governmental funds prior to the beginning of each fiscal year. The County holds public meetings for the purpose of obtaining comments from citizens prior to adopting the budget. Once a budget is approved, it can be amended only by approval of a majority of the members of the Commissioners' Court. The budget was amended during the year.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

A. Budget - Continued

Budgets for the General Fund, Special Revenue Funds, and Debt Service Fund are adopted on a modified cash basis and cover a one-year period. Appropriations lapse at year end.

B. Excess Expenditures Over Appropriations

Expenditures exceeded appropriations within the Grant Fund as reported on page 40.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. 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, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the County to have independent auditors perform 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.

In compliance with the Public Funds Investment Act, the County has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits and investments in certificates of deposit may not be returned to it. The County's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The County is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the County's name.

Concentration of Credit Risk: The investment policy of the County contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The County is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At September 30, 2018, the County was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

B. Due from Other Governments

The County participates in a variety of federal and state programs from which it receives funds to partially or fully finance certain activities. Amounts due from other governments are summarized as follows:

	Other	State Grants	Total
General Fund	\$ 535	\$ 0	\$ 535
Grant Fund	0	7,500	7,500
Totals	\$ 535	\$ 7,500	\$ 8,035

C. Interfund Receivables and Payables

The following is a summary of amounts due from and due to other funds:

	Due From	Due To	Purpose
General Fund			
Major Special Revenue Funds	\$ 7,500	\$ 0	Operating Advance
Fiduciary Funds	37,079	0	Unremitted Fees
	\$ 44,579	\$ 0	
Major Special Revenue Funds			
General Fund	\$ 0	\$ 7,500	Operating Advance
Fiduciary Funds	790	0	Unremitted Fees
	\$ 790	\$ 7,500	
Nonmajor Governmental Funds			
Fiduciary Funds	19,251	0	Unremitted Fees
	\$ 19,251	\$ 0	
Fiduciary Funds			
General Fund	\$ 0	\$ 37,079	Unremitted Fees
Major Special Revenue Funds	0	790	Unremitted Fees
Nonmajor Governmental Funds	0	19,251	Unremitted Fees
Fiduciary Funds	8,753	8,753	Unremitted Fees
	\$ 8,753	\$ 65,873	
Totals	\$ 73,373	\$ 73,373	

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

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 47,007	\$ 10,000	\$ 0	\$ 57,007
Buildings and Improvements	5,438,593	236,299	0	5,674,892
Machinery and Equipment	<u>3,353,021</u>	<u>324,034</u>	<u>(98,346)</u>	<u>3,578,709</u>
Total Capital Assets	<u>\$ 8,838,621</u>	<u>\$ 570,333</u>	<u>\$ (98,346)</u>	<u>\$ 9,310,608</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (3,746,912)	\$ (149,055)	\$ 0	\$ (3,895,967)
Machinery and Equipment	<u>(2,633,169)</u>	<u>(203,440)</u>	<u>98,346</u>	<u>(2,738,263)</u>
Total Accumulated Depreciation	<u>\$ (6,380,081)</u>	<u>\$ (352,495)</u>	<u>\$ 98,346</u>	<u>\$ (6,634,230)</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,458,540</u>	<u>\$ 217,838</u>	<u>\$ 0</u>	<u>\$ 2,676,378</u>

Depreciation expense was charged to governmental activities programs as follows:

General Government	\$ 48,112
Roads and Bridges	145,103
Justice System	1,881
Public Safety	40,633
Corrections and Rehabilitation	110,995
Public Health and Welfare	<u>5,771</u>
Total	<u>\$ 352,495</u>

E. Unearned Revenue

Unearned revenue at year end consisted of the following:

	<u>General Fund</u>
State Funds	<u>\$ 23,333</u>

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

F. Capital Leases

The County has entered into lease agreements to finance the acquisition of heavy equipment for the Road and Bridge Department. These lease agreements qualify as capital leases for accounting purposes.

Future minimum lease payments are as follows:

Year Ending September 30,	Capital Leases		Total
	Principal	Interest	
2019	\$ 160,111	\$ 29,439	\$ 189,550
2020	131,188	23,546	154,734
2021	271,519	19,342	290,861
2022	97,223	10,244	107,467
2023	189,808	6,829	196,637
Totals	<u>\$ 849,849</u>	<u>\$ 89,400</u>	<u>\$ 939,249</u>

The following is a summary of the changes in capital leases for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance
Road and Bridge	<u>\$ 619,523</u>	<u>\$ 428,154</u>	<u>\$ 197,828</u>	<u>\$ 849,849</u>

G. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-Term Financing	<u>\$ 98,497</u>	<u>\$ 75,615</u>	<u>\$ 18,647</u>	<u>\$ 155,465</u>	<u>\$ 36,529</u>

The County's outstanding long-term financing is as follows:

Long-term financing for the purchase of hardware and software for the Sheriff's Department. Due in yearly installments through May 21, 2022, with an interest rate of 3.69%.	\$ 79,850
Long-term financing for the purchase of a water truck for Road and Bridge Precinct 2. Due in yearly installments through March 1, 2022, with an interest rate of 4.487%.	<u>75,615</u>
Total	<u>\$ 155,465</u>

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

G. Long-Term Debt - Continued

The annual debt service requirements are as follows:

<u>Year Ending September 30,</u>	<u>Long-Term Financing</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 36,529	\$ 6,412	\$ 42,941
2020	38,064	4,878	42,942
2021	39,624	3,318	42,942
2022	<u>41,248</u>	<u>1,693</u>	<u>42,941</u>
Totals	<u>\$ 155,465</u>	<u>\$ 16,301</u>	<u>\$ 171,766</u>

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Plan Description - The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County & District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District Retirement System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 1-800-823-7782.

The plan provisions are adopted by the governing body of the employer within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy - The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. However, the governing body chose to contribute at an elected rate in both 2017 and 2018 that exceeded the actuarially determined rate as allowed by the provisions of the TCDRS Act. The rate contributed for the months of the accounting year in 2017 was 9.25% and was 9.25% for the months of the accounting year in 2018.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

The deposit rate payable by the employee members for calendar year 2018 is 7% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Actuarial Assumptions - All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2017 funding valuation, except as noted below and throughout this report. Please see the County's December 31, 2017 Summary Valuation Report for further details.

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	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	4.85%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the 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	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on 90% of the gender-distinct RP-2014 Active Employee Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 130% for males and 110% for females of the RP-2014 Healthy Annuitant Mortality Table. Disabled retirees are based on 130% for males and 115% for females of the RP-2014 Disabled Annuitant Mortality Table. All of the rates are projected with 110% of the MP-2014 Ultimate scale after 2014.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

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 10-year time horizon.

Note 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.

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.55%
Global Equities	MSCI World (Net) Index	1.50%	4.85%
International Equities - Developed Markets	MSCI World Ex USA (Net) Index	11.00%	4.55%
International 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 + 33% 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	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Depletion of Plan Assets/GASB Discount Rate - The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

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

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

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

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefits 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 8.1%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 8%, net of all expenses, increased by 0.1% to be gross of administrative expenses.

Changes in Net Pension Liability (Asset) - The following presents the increases (decreases) in net pension liability (asset):

<u>Changes in Net Pension Liability (Asset)</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u> (a)	<u>Fiduciary Net Position</u> (b)	<u>Net Pension Liability (Asset)</u> (a) - (b)
Balance as of December 31, 2016	\$ 12,226,510	\$ 11,856,486	\$ 370,024
Changes for the Year:			
Service Cost	\$ 277,810	\$ 0	\$ 277,810
Interest on Total Pension Liability	982,730	0	982,730
Effect of Plan Changes	0	0	0
Effect of Economic/Demographic Gains or Losses	(91,006)	0	(91,006)
Effect of Assumptions Changes or Inputs	101,691	0	101,691
Refund of Contributions	(8,852)	(8,852)	0
Benefit Payments	(749,620)	(749,620)	0
Administrative Expenses	0	(8,783)	8,783
Member Contributions	0	171,114	(171,114)
Net Investment Income	0	1,724,823	(1,724,823)
Employer Contributions	0	226,117	(226,117)
Other	0	(4,925)	4,925
Net Changes	<u>\$ 512,753</u>	<u>\$ 1,349,874</u>	<u>\$ (837,121)</u>
Balance as of December 31, 2017	<u>\$ 12,739,263</u>	<u>\$ 13,206,360</u>	<u>\$ (467,097)</u>

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Sensitivity Analysis - The following presents the net pension liability (asset) of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate.

	<u>1% Decrease in Discount Rate (7.1%)</u>	<u>Current Discount Rate (8.1%)</u>	<u>1% Increase in Discount Rate (9.1%)</u>
Total Pension Liability	\$ 14,032,354	\$ 12,739,263	\$ 11,615,827
Fiduciary Net Position	<u>13,206,360</u>	<u>13,206,360</u>	<u>13,206,360</u>
Net Pension Liability (Asset)	<u>\$ 825,994</u>	<u>\$ (467,097)</u>	<u>\$ (1,590,533)</u>

Pension Expense (Income) - The following presents the components of pension expense (income):

<u>Pension Expense (Income)</u>	<u>January 1, 2017 to December 31, 2017</u>
Service Cost	\$ 277,810
Interest on Total Pension Liability	982,730
Effect of Plan Changes	0
Administrative Expenses	8,783
Member Contributions	(171,114)
Expected Investment Return Net of Investment Expenses	(945,486)
Recognition of Deferred Outflows/Inflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(175,315)
Recognition of Assumption Changes or Inputs	79,391
Recognition of Investment Gains or Losses	29,646
Other	<u>4,925</u>
Total Pension Expense (Income)	<u>\$ 91,370</u>

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Deferred Outflows/Deferred Inflows of Resources -As of September 30, 2018, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 147,209
Changes in Assumptions	67,794	-
Net Differences Between Projected and Actual Earnings	-	263,569
Contributions Made Subsequent to Measurement Date	<u>186,692</u>	<u>-</u>
Totals	<u>\$ 254,486</u>	<u>\$ 410,778</u>

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

<u>Measurement Period Ending December 31,</u>	<u>Pension Expense Amount</u>
2018	\$ (53,331)
2019	7,733
2020	(141,519)
2021	(155,867)
2022	0
Thereafter	0

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Schedule of Deferred Outflows and Inflows of Resources - The following presents the components of deferred outflows and inflows of resources:

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 12/31/17 Expense	Balance of Deferred Outflows 12/31/17	Balance of Deferred Inflows 12/31/17
Investment (Gains) or Losses						
	\$ (779,337)	12/31/17	5	\$ (155,867)	\$ -	\$ 623,470
	71,741	12/31/16	5	14,348	43,044	-
	728,455	12/31/15	5	145,691	291,382	-
	127,372	12/31/14	5	25,475	25,475	-
Economic/Demographic (Gains) or Losses						
	(91,006)	12/31/17	3	(30,335)	-	60,671
	(259,615)	12/31/16	3	(86,538)	-	86,538
	(175,323)	12/31/15	3	(58,441)	-	-
	(128,677)	12/31/14	3	-	-	-
Assumption Changes or Inputs						
	101,691	12/31/17	3	33,897	67,794	-
	-	12/31/16	3	-	-	-
	136,483	12/31/15	3	45,494	-	-
	-	12/31/14	3	-	-	-
Employer Contributions Made Subsequent to Measurement Date					186,692	

The net pension liability (asset), deferred resource outflows, and deferred resource inflows related to the pension liability (asset) are reported in the notes to the financial statements. Due to the County's reporting on the OCBOA - modified cash basis, these items are not reflected in the financial statements.

B. Other Postemployment Benefits (OPEB)

Plan Description - The County participates in the Group Term Life (GTL) program for the Texas County & District Retirement System (TCDRS), which is a statewide, multiple-employer, public employee retirement system. All full-time and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year, and are eligible for the TCERS pension plan. Only employers that have elected to participate in the GTL program are included in the OPEB plan.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Benefits Provided - The plan provides a \$5,000 postretirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the GTL program. The OPEB benefit is a fixed \$5,000 lump-sum benefit, and no future increases are assumed in the benefit amount.

Contributions made to the retiree GTL program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan. The contributions for retiree GTL coverage are assigned to the OPEB plan under GASB 75 and are used to determine the benefit payments shown in the changes in the total OPEB liability.

Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. The County's contribution rate for the retiree GTL program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000.

Employees Covered by Benefit Terms - At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	64
Inactive Employees Entitled to But Not Yet Receiving Benefits	11
Active Employers	<u>80</u>
Total	<u><u>155</u></u>

Total OPEB Liability - The County's total OPEB liability of \$288,226 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions - The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
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
Investment Rate of Return (Discount Rate)	3.44%

The TCDRS GTL program is treated as an unfunded OPEB plan because the GTL trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB 75 (Paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher municipal bonds. Therefore, a discount rate of 3.44% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2017. At transition, GASB 75 also requires that the total OPEB liability as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary estimated the total OPEB liability as of December 31, 2016, using a discount rate of 3.78% as of December 31, 2016.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Mortality rates were based on the following criteria:

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.

All actuarial assumptions that determined the total OPEB 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 75.

Changes in Total OPEB Liability - The following presents the increases (decreases) in total OPEB liability:

Changes in Total OPEB Liability	
Balance as of December 31, 2016	<u>\$ 272,499</u>
Changes for the Year:	
Service Cost	\$ 7,891
Interest on Total OPEB Liability	10,439
Changes of Benefit Terms	0
Effect of Economic/Demographic Experience	(3,606)
Effect of Assumptions Changes or Inputs	9,559
Benefit Payments	(8,556)
Other	<u>0</u>
Net Changes	<u>\$ 15,727</u>
Balance as of December 31, 2017	<u><u>\$ 288,226</u></u>

Changes of assumptions or other inputs reflect a change in the discount rate from 3.78% in 2016 to 3.44% in 2017.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

Sensitivity Analysis - The following presents the total OPEB liability of the County, calculated using the discount rate of 3.44%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	<u>1% Decrease in Discount Rate (2.44%)</u>	<u>Current Discount Rate (3.44%)</u>	<u>1% Increase in Discount Rate (4.44%)</u>
Total OPEB Liability	<u>\$ 334,650</u>	<u>\$ 288,226</u>	<u>\$ 250,902</u>

OPEB Expense (Income) - The following presents the components of OPEB expense (income):

<u>OPEB Expense (Income)</u>	<u>January 1, 2017 to December 31, 2017</u>
Service Cost	\$ 7,891
Interest on Total OPEB Liability	10,439
Effect of Plan Changes	0
Recognition of Deferred Outflows/Inflows of Resources:	
Recognition of Economic/Demographic Gains or Losses	(721)
Recognition of Assumption Changes or Inputs	1,912
Other	<u>0</u>
Total OPEB Expense (Income)	<u>\$ 19,521</u>

Deferred Outflows/Deferred Inflows of Resources - As of September 30, 2018, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 2,884
Changes in Assumptions	7,647	-
Contributions Made Subsequent to Measurement Date	<u>14,735</u>	<u>-</u>
Totals	<u>\$ 22,382</u>	<u>\$ 2,884</u>

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

IV. OTHER INFORMATION - Continued

B. Other Postemployment Benefits (OPEB) - Continued

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

<u>Measurement Period Ending December 31,</u>	<u>OPEB Expense Amount</u>
2018	\$ 1,191
2019	1,191
2020	1,191
2021	1,190
2022	0
Thereafter	0

Schedule of Deferred Outflows and Inflows of Resources - The following presents the components of deferred outflows and inflows of resources:

	<u>Original Amount</u>	<u>Date Established</u>	<u>Original Recognition Period</u>	<u>Amount Recognized in 12/31/17 Expense</u>	<u>Balance of Deferred Outflows 12/31/17</u>	<u>Balance of Deferred Inflows 12/31/17</u>
Economic/Demographic (Gains) or Losses	\$ (3,606)	12/31/17	5	\$ (721)	\$ -	\$ 2,884
Assumption Changes or Inputs	9,559	12/31/17	5	1,912	7,647	-
Employer Contributions Made Subsequent to Measurement Date					14,735	-

The total OPEB liability (asset), deferred resource outflows, and deferred resource inflows related to the total OPEB liability (asset) are reported in the notes to the financial statements. Due to the County's reporting on the OCBOA - modified cash basis, these items are not reflected in the financial statements.

COUNTY OF RUNNELS
Notes to the Financial Statements - Continued
September 30, 2018

IV. OTHER INFORMATION - Continued

C. Self-Insurance

The County has entered into an interlocal participation agreement with the Texas Association of Counties Workers' Compensation Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other county-related political subdivisions of the State of Texas that was created to provide workers' compensation benefits for its members pursuant to the provisions of Article 8309h, Texas Revised Civil Statutes Annotated. The Fund provides for the self-insurance of certain defined risks jointly among the Fund members. The Fund is required to provide stop-loss coverage; however, the amount of this coverage may be adjusted at the discretion of the Fund's Board of Trustees. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid into the Fund. The County made contributions to the Fund based upon its standard annual premium which was computed using the Texas State Board of Insurance workers' compensation rates and adjusted by the County's experience modifier. Contributions are adjusted annually based upon the County's experience modifier; however, contributions are subject to adjustments on an interim basis if such adjustments are the result of changes mandated by state law.

The County has entered into an interlocal participation agreement with the Texas Association of Counties County Government Risk Management Pool (the Pool). The Pool is an unincorporated association of counties that was created to provide liability coverage to its members pursuant to the provisions of Article 4413 (32i), Texas Revised Civil Statutes Annotated. The Pool provides for the self-insurance of certain defined risks jointly among the Pool members. The Pool provides stop-loss coverage at the discretion of the Pool's Board of Trustees. The County made contributions to the Pool based upon a rating system approved by the Pool's Board of Trustees. Contributions are adjusted annually based upon the County's loss experience; however, the Pool has the right to impose a surcharge for any year in which the County's loss experience is higher than was projected in the rating system. The County's participation in the Pool provides coverage for public officials' liability, law enforcement liability, comprehensive auto liability, comprehensive general liability, and heavy equipment.

The County has entered into an interlocal participation agreement with the Texas Association of Counties Property and Casualty Self-Insurance Fund (the Fund). The Fund is an unincorporated association of counties and other political subdivisions of the State of Texas that was created to provide property and casualty insurance to its members pursuant to Article 715C, Texas Revised Civil Statutes Annotated. Coverage provided by the Fund may differ from member to member depending on the nature of the risk to be covered. The County made contributions to the Fund based upon rates approved by Board of Trustees of the Fund. Contributions are adjusted annually based upon the County's loss experience. The County's participation in the Fund is on a nonassessable basis. The County has no joint and several liability other than the maximum annual contribution required to be paid into the Fund; however, this contribution may include surcharges specifically related to the County's loss experience. The County's participation in the Fund provides coverage for property damage.

D. Litigation

The County is involved in litigation which involves outstanding vendor payables. An agreement has been reached; however, as of the date of the report the amount due to the vendor has not been finalized. Therefore, the County's liability cannot be determined at this time.

E. Subsequent Events

The County's management has evaluated subsequent events through February 16, 2019, the date which the financial statements were available for issue.

Other Information

COUNTY OF RUNNELS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 3,159,908	\$ 3,159,908	\$ 3,232,432	\$ 72,524
Fees and Fines	202,475	202,475	221,364	18,889
Intergovernmental	449,983	449,983	405,001	(44,982)
Interest	27,000	27,000	68,799	41,799
Miscellaneous	24,950	27,084	85,923	58,839
Total Revenues	<u>3,864,316</u>	<u>3,866,450</u>	<u>4,013,519</u>	<u>147,069</u>
EXPENDITURES:				
Current:				
General Government	1,727,926	1,701,181	1,587,337	113,844
Justice System	397,635	398,529	392,565	5,964
Public Safety	914,691	1,037,177	1,009,619	27,558
Corrections and Rehabilitation	1,050,848	1,054,844	1,040,827	14,017
Health and Welfare	42,093	42,093	17,175	24,918
Culture and Recreation	11,375	11,375	11,375	-
Total Expenditures	<u>4,144,568</u>	<u>4,245,199</u>	<u>4,058,898</u>	<u>186,301</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(280,252)</u>	<u>(378,749)</u>	<u>(45,379)</u>	<u>333,370</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Capital Leases	-	98,497	-	(98,497)
Total Other Financing Sources (Uses)	<u>-</u>	<u>98,497</u>	<u>-</u>	<u>(98,497)</u>
Net Change in Fund Balances	(280,252)	(280,252)	(45,379)	234,873
Fund Balance - October 1 (Beginning)	<u>2,028,256</u>	<u>2,028,256</u>	<u>2,028,256</u>	<u>-</u>
Fund Balance - September 30 (Ending)	<u>\$ 1,748,004</u>	<u>\$ 1,748,004</u>	<u>\$ 1,982,877</u>	<u>\$ 234,873</u>

COUNTY OF RUNNELS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
MODIFIED CASH BASIS - BUDGET AND ACTUAL - JURY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 155,310	\$ 155,310	\$ 158,189	\$ 2,879
Fees and Fines	3,950	3,950	5,618	1,668
Intergovernmental	20,218	20,218	22,416	2,198
Interest	2,200	2,200	4,920	2,720
Total Revenues	181,678	181,678	191,143	9,465
EXPENDITURES:				
Justice System	202,822	202,822	185,780	17,042
Total Expenditures	202,822	202,822	185,780	17,042
Change in Fund Balance	(21,144)	(21,144)	5,363	26,507
Fund Balance - October 1 (Beginning)	205,092	205,092	205,092	-
Fund Balance - September 30 (Ending)	\$ 183,948	\$ 183,947	\$ 210,455	\$ 26,508

COUNTY OF RUNNELS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 MODIFIED CASH BASIS - BUDGET AND ACTUAL - GRANT FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ -	\$ 71,647	\$ 79,147	\$ 7,500
Total Revenues	-	71,647	79,147	7,500
EXPENDITURES:				
Public Safety	-	29,710	37,210	(7,500)
Health and Welfare	-	41,937	41,937	-
Total Expenditures	-	71,647	79,147	(7,500)
Change in Fund Balance	-	-	-	-
Fund Balance - October 1 (Beginning)	-	-	-	-
 Fund Balance - September 30 (Ending)	 \$ -	 \$ -	 \$ -	 \$ -

COUNTY OF RUNNELS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
A. Total Pension Liability				
Service Cost	\$ 277,810	\$ 306,522	\$ 278,520	\$ 286,024
Interest (on the Total Pension Liability)	982,730	952,025	922,324	889,693
Changes of Benefit Terms	-0-	-0-	(16,414)	-0-
Difference between Expected and Actual Experience	(91,006)	(259,615)	(175,323)	(128,677)
Changes of Assumptions	101,691	-0-	136,483	-0-
Benefit Payments, Including Refunds of Employee Contributions	(758,472)	(736,748)	(730,913)	(669,020)
Net Change in Total Pension Liability	\$ 512,753	\$ 262,184	\$ 414,677	\$ 378,020
Total Pension Liability - Beginning	12,226,510	11,964,326	11,549,649	11,171,629
Total Pension Liability - Ending	\$ 12,739,263	\$ 12,226,510	\$ 11,964,326	\$ 11,549,649
B. Total Fiduciary Net Position				
Contributions - Employer	\$ 226,117	\$ 235,085	\$ 232,393	\$ 225,919
Contributions - Employee	171,114	177,900	175,863	170,965
Net Investment Income	1,724,823	842,493	213,800	779,631
Benefit Payments, Including Refunds of Employee Contributions	(758,472)	(736,748)	(730,913)	(669,020)
Administrative Expense	(8,783)	(9,286)	(8,369)	(8,837)
Other	(4,925)	(202,208)	(49,566)	(17,350)
Net Change in Plan Fiduciary Net Position	\$ 1,349,874	\$ 307,236	\$ (166,792)	\$ 481,308
Plan Fiduciary Net Position - Beginning	11,856,486	11,549,250	11,716,042	11,234,734
Plan Fiduciary Net Position - Ending	\$ 13,206,360	\$ 11,856,486	\$ 11,549,250	\$ 11,716,042
C. Net Pension Liability (Asset)	\$ (467,097)	\$ 370,024	\$ 415,076	\$ (166,393)
D. Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.67%	96.97%	96.53%	101.44%
E. Covered Payroll	\$ 2,444,483	\$ 2,541,429	\$ 2,512,323	\$ 2,442,356
F. Net Pension Liability (Asset) as a Percentage of Covered Payroll	(19.11%)	14.56%	16.52%	(6.81%)

Note: GASB 68, Paragraph 46, a and b requires that the data in this schedule be presented for the time period covered by the measurement date rather than the governmental entity's current fiscal year.

Note: Only four years of data are presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

COUNTY OF RUNNELS
SCHEDULE OF CONTRIBUTIONS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE FISCAL YEAR 2018

	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 241,886	\$ 228,339	\$ 236,988	\$ 232,498
Contributions in Relation to the Actuarially Determined Contributions	(241,886)	(228,339)	(236,988)	(232,498)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered Employee Payroll	\$ 2,614,968	\$ 2,468,498	\$ 2,562,002	\$ 2,513,462
Contributions as a Percentage of Covered Employee Payroll	9.25%	9.25%	9.25%	9.25%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the governmental entity's respective fiscal years as opposed to the time periods covered by the measurement dates ending December 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

COUNTY OF RUNNELS
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	FY 2018 Plan Year 2017
Total OPEB Liability	
Service Cost	\$ 7,891
Interest on the Total OPEB Liability	10,439
Changes of Benefit Terms	-0-
Difference between Expected and Actual Experience	(3,606)
Changes of Assumptions	9,559
Benefit Payments*	(8,556)
Net Change in Total OPEB Liability	15,727
Total OPEB Liability - Beginning	272,499
Total OPEB Liability - Ending	\$ 288,226
Covered Payroll	\$ 2,444,483
Total OPEB Liability as a Percentage of Covered Payroll	11.79%

*The Supplemental Death Benefit Fund is considered to be an unfunded OPEB plan under GASB 75. Because of this benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Note: GASB Codification, Vol. 2, P52.139 states that the information on this schedule should be determined as of the measurement date of the plan.

As required by GASB 75, this schedule will be built prospectively as the information becomes available until 10 years of information is presented.

COUNTY OF RUNNELS
Notes to the Other Information
September 30, 2018

Note A - Net Pension Liability

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	
Smoothing Period	5 Years
Recognition Method	Non-Asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	4.85%
Investment Rate of Return	8.10%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the 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	Members eligible for service retirement are assumed to retire at various rates based upon age and gender. Deferred members are assumed to retire (100% probability) at the later of age 60 or earliest retirement eligibility. For all eligible members ages 75 and later, retirement is assumed to occur immediately.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	Mortality rates for depositing members are based on 90% of the gender-distinct RP-2014 Active Employee Mortality Table. Service retirees, beneficiaries, and non-depositing members are based on 130% for males and 110% for females of the RP-2014 Healthy Annuitant Mortality Table. Disabled retirees are based on 130% for males and 115% for females of the RP-2014 Disabled Annuitant Mortality Table. All of the rates are projected with 110% of the MP-2014 Ultimate scale after 2014.

COUNTY OF RUNNELS
Notes to the Other Information - Continued
September 30, 2018

Note B - Total OPEB Liability

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

Actuarial Assumptions - The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2017
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
Investment Rate of Return (Discount Rate)	3.44%

Mortality rates were based on the following criteria:

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.

All actuarial assumptions that determined the total OPEB 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 75.

Supplementary Information

COUNTY OF RUNNELS
TXCDG GRANT
YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor: U.S. Department of Housing and Urban Development
 Pass Through Grantor: Texas Department of Agriculture
 Type of Grant: Community Development Block Grant
 CFDA Number: 14.228
 Project Number: 7215449
 Project Period: October 15, 2015 to October 14, 2018
 Runnels County Pass Through to Rowena Water Supply Corporation

	<u>Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
<u>REVENUES</u>					
Grant Revenues	\$ 275,000	\$ 248,724	\$ 26,276	\$ 275,000	\$ 0
<u>EXPENDITURES</u>					
Water Facilities	\$ 198,000	\$ 184,821	\$ 13,179	\$ 198,000	\$ 0
Engineering	49,500	39,163	10,337	49,500	0
Administration	27,500	24,740	2,760	27,500	0
Total Expenditures	<u>\$ 275,000</u>	<u>\$ 248,724</u>	<u>\$ 26,276</u>	<u>\$ 275,000</u>	<u>\$ 0</u>
Excess Revenues (Expenditures)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

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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*

The Honorable County Judge
and Commissioners' Court
County of Runnels
P.O. Box 310
Ballinger, TX 76821-0310

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 the County of Runnels, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated February 16, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Runnels' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item: 2018-001.

County's Response to Findings

The County of Runnels' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly we express no opinion on the response.

Purpose of This Report

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

Eckert & Company, LLP

February 16, 2019

COUNTY OF RUNNELS
Schedule of Findings and Responses
Year Ended September 30, 2018

Findings -

Reference Number: 2018-001

The County purchased equipment from a single vendor which exceeded \$50,000 and, therefore, must follow statutory bidding requirements. There was one instance in which the County did not comply with this requirement.

Responses -

Reference Number: 2018-001

The County should monitor purchase prices and the competitive bidding process to ensure that all contracts and purchases involving more than \$50,000 are purchased following statutory requirements.