LAMPASAS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2018

LAMPASAS COUNTY, TEXAS

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge
and Commissioners' Court of Lampasas County
Lampasas, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lampasas County, Texas, (the "County"), 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the County, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in the notes to the financial statements, in fiscal year 2018 the County adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other post-employment benefit information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 21, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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In this section of the Annual Financial Report, we, the managers of Lampasas County, Texas (the "County") discuss and analyze the County's financial performance for the fiscal year ended September 30, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the County exceeded its liabilities as of September 30, 2018, by $13,360,673.

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of $18,552,205. Of this total amount, 13% or $2,460,114 is available for spending at the government's discretion (unassigned and assigned fund balance). Fund balance of $16,035,068 is restricted for capital projects, debt service and other purposes specified by third parties.

- In the current year, the County recognized its other post-employment benefit liability in accordance with a new accounting standard. Implementation of this new standard resulted in a prior period adjustment to the County's governmental activities.

- As of September 30, 2018, fund balance for the General Fund was $2,611,194.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the County as a whole and present a long-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. For governmental activities, these statements tell how services were financed in the short-term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The fiduciary statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the County.

The Notes to Basic Financial Statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining schedules for nonmajor governmental funds and fiduciary funds contain even more information about the County's individual funds.

The Statement of Net Position and the Statement of Activities – The analysis of the County's overall financial condition and operations begin on page 9. This shows whether the County's financial condition is better or worse as a result of the year's activities. The Statement of Net Position includes all of the County's assets, deferred outflows of resources, and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The County's revenues are divided into those provided by outside parties who share the costs of some programs and revenues provided by the taxpayers or other unrestricted sources (general revenues). All of the County's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the County's net position and changes in them. The County's net position (the difference between assets, deferred outflows of resources, and liabilities) provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, you should consider nonfinancial factors as well, such as changes in the County's property tax base and the condition of the County's facilities.

In the Statement of Net Position and the Statement of Activities, we report the following type of activities:

- Governmental activities – All of the County's basic services are reported here. Property and sales taxes and state and federal grants finance most of these activities.

REPORTING THE COUNTY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements – The fund financial statements begin on page 11 and provide detailed information about the most significant funds, but not the County as a whole. Laws and contracts require the County to establish some funds to separately account for restricted resources. The County's administration establishes other funds to help it control and manage money for particular purposes (capital projects). The County reports the following fund types:

- **Governmental Funds –** All of the County's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation schedules following each of the fund financial statements.

THE COUNTY AS TRUSTEE

Reporting the County's Fiduciary Responsibilities – The County is the trustee, or fiduciary, for money on behalf of others. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 15. We exclude these resources from the County's other financial statements because the County cannot use these assets to finance its operations. The County is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the County's governmental activities.

The County's net position was $13,360,673 at September 30, 2018. The largest portion of the County's net position reflects its investments in capital assets (e.g. land, buildings, machinery and equipment, infrastructure), less accumulated depreciation and any related outstanding debt. An additional portion of the County's net position represent resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors. Unrestricted net position for the governmental activities was increased by a prior period adjustment to beginning net position primarily due to the first-year implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

(Table I)
LAMPASAS COUNTY'S NET POSITION

	Governmental Activities	
	2018	2017
Current and other assets	$ 21,198,204	$ 15,158,264
Capital assets	16,570,429	11,796,534
Total assets	37,768,633	26,954,798
Total deferred outflows of resources	833,586	1,899,608
Current liabilities	1,908,966	699,932
Noncurrent liabilities	23,016,689	15,715,843
Total liabilities	24,925,655	16,415,775
Total deferred inflows of resources	315,891	43,139
Net position:		
Net investment in capital assets	8,984,271	8,008,859
Restricted	2,325,594	2,287,010
Unrestricted	2,050,808	2,099,623
Total net position	$ 13,360,673	$ 12,395,492

(Table II)
LAMPASAS COUNTY'S CHANGES IN NET POSITION

	Governmental Activities	
	2018	2017
REVENUES		
Program revenues:		
Charges for services	$ 2,107,522	$ 2,141,664
Operating grants and contributions	304,956	346,641
Capital grants and contributions	252,933	-
General revenues:		
Property taxes	9,242,198	8,553,122
Sales taxes	814,991	784,313
Other	387,621	203,341
Total revenues	13,110,221	12,029,081
EXPENSES		
General government	2,732,847	2,702,702
Judicial	849,891	802,194
Public safety	5,821,502	5,132,790
Conservation and development	110,623	107,030
Road and bridge	2,150,923	1,261,449
Interest on long-term debt	536,009	237,574
Total expenses	12,201,795	10,243,739
CHANGE IN NET POSITION	908,426	1,785,342
NET POSITION, BEGINNING	12,395,492	10,610,150
PRIOR PERIOD ADJUSTMENT	56,755	-
NET POSITION, ENDING	$ 13,360,673	$ 12,395,492

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As the County completed the year, its governmental funds reported a combined fund balance of $18,552,205, which is a $4,868,820 increase from last year's combined ending fund balance of $13,683,385. Included in this year's total change in fund balance is an increase of $141,424 in the General Fund balance due to an increase in property tax revenue and a decrease in overall expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The County revised the General Fund budget during the year for increases in estimated revenues and expenditures. Actual revenues were more than final budgeted amounts by $37,637, and actual expenditures were less than final budgeted amounts by $78,329.

CAPITAL ASSETS

At the end of 2018, the County had $16,570,429 invested in capital assets, including land, buildings, machinery and equipment, and infrastructure. More detailed information about the County's capital assets is presented in the notes to the basic financial statements.

(Table III)
LAMPASAS COUNTY'S CAPITAL ASSETS

	Governmental Activities	
	2018	2017
Land	$ 1,387,023	$ 1,387,023
Construction in progress	5,606,402	655,338
Buildings	11,532,815	11,532,815
Machinery and equipment	6,744,058	6,221,425
Infrastructure	1,927,411	1,629,174
Less: accumulated depreciation	(10,627,280)	(9,629,241)
Total	$ 16,570,429	$ 11,796,534

DEBT ADMINISTRATION

At the end of the current fiscal year, Lampasas County had $23,016,689 in long-term liabilities outstanding versus $15,715,843 in the prior year with the increase related to bonds and tax notes. Other obligations include accrued vacation pay and other post-employment benefits. More detailed information about the County's long-term liabilities is presented in the notes to the basic financial statements.

(Table IV)
LAMPASAS COUNTY'S DEBT

	2018	2017
Bonds and tax notes	$ 19,230,000	$ 11,425,000
Premium	1,618,274	1,060,288
Capital leases	480,859	345,314
Compensated absences	108,824	128,230
Net pension liability	1,472,121	2,595,951
Other post-employment benefits	106,611	161,060
Total	$ 23,016,689	$ 15,715,843

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need any additional information, contact Lampasas County Auditor, Attention: Chris Munn, P. O. Box 231, Lampasas, Texas 76550.

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BASIC
FINANCIAL STATEMENTS

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LAMPASAS COUNTY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	$ 20,032,011
Receivables, net of allowance:	
Property taxes	547,318
Intergovernmental	143,422
Fines	354,483
Prepaids	57,023
Due from fiduciary funds	63,947
Capital assets:	
Nondepreciable	6,993,425
Depreciable, net of accumulated depreciation	9,577,004
Total assets	37,768,633
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding	4,104
Deferred outflow of resources for pensions	829,482
Total deferred outflows of resources	833,586
LIABILITIES	
Accounts payable	1,609,250
Accrued liabilities	165,560
Interest payable	134,156
Noncurrent liabilities:	
Due within one year	
Long-term debt	840,345
Total OPEB liability - retiree health	5,509
Due in more than one year	
Long-term debt	20,597,612
Net pension liability	1,472,121
Total OPEB liability - retiree health	101,102
Total liabilities	24,925,655
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow of resources related to pensions	309,642
Deferred inflow of resources related to OPEB	6,249
Total deferred inflows of resources	315,891
NET POSITION	
Net investment in capital assets	8,984,271
Restricted for:	
Records management	740,857
Road and bridge	1,404,834
Other purposes	243,934
Unrestricted	2,050,808
Total net position	$ 13,360,673

The accompanying notes are an integral part of these financial statements.

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LAMPASAS COUNTY, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	$ 2,732,847	$ 848,559	$ 6,983	$ -	$(1,877,305)
Judicial	849,891	184,475	84,953	-	(580,463)
Public safety	5,821,502	421,286	213,020	252,933	(4,934,263)
Conservation and development	110,623	-	-	-	(110,623)
Road and bridge	2,150,923	653,202	-	-	(1,497,721)
Interest on long-term debt	536,009	-	-	-	(536,009)
Total governmental activities	$ 12,201,795	$ 2,107,522	$ 304,956	$ 252,933	(9,536,384)
General revenues:					
Taxes:					
Property					9,242,198
Sales					814,991
Other					21,690
Investment earnings					280,855
Gain on sale of capital assets					18,805
Miscellaneous					66,271
Total general revenues					10,444,810
Change in net position					908,426
Net position, beginning					12,395,492
Prior period adjustment					56,755
Net position, ending					$ 13,360,673

The accompanying notes are an integral part of these financial statements.

LAMPASAS COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	General	Road and Bridge	Debt Service	Construction	Other Governmental	Total Governmental
ASSETS						
Cash and investments	$ 3,940,319	$ 711,127	$ 19,719	$ 14,417,506	$ 943,340	$ 20,032,011
Receivables, net of allowance:						
Property taxes	382,122	99,330	65,866	-	-	547,318
Intergovernmental	143,422	-	-	-	-	143,422
Fines	354,483	-	-	-	-	354,483
Due from other funds	169,138	454,424	-	592,890	404,006	1,620,458
Prepaids	57,023	-	-	-	-	57,023
Total assets	5,046,507	1,264,881	85,585	15,010,396	1,347,346	22,754,715
LIABILITIES						
Accounts payable	142,414	94,988	-	1,271,525	100,323	1,609,250
Accrued liabilities	124,929	31,712	-	-	8,919	165,560
Due to other funds	1,451,320	-	101,000	-	4,191	1,556,511
Total liabilities	1,718,663	126,700	101,000	1,271,525	113,433	3,331,321
DEFERRED INFLOWS OF RESOURCES						
Property taxes - unavailable	362,165	93,428	61,111	-	-	516,704
Court fines - unavailable	354,485	-	-	-	-	354,485
Total deferred inflows of resources	716,650	93,428	61,111	-	-	871,189
FUND BALANCES						
Nonspendable - prepaids	57,023	-	-	-	-	57,023
Restricted for:						
Records management	-	-		-	740,857	740,857
Judicial	-	-	-	-	88,659	88,659
Public safety	-	-	-	-	155,275	155,275
Road and bridge	-	1,044,753	-	-	266,653	1,311,406
Capital projects	-	-	-	13,738,871	-	13,738,871
Unassigned	2,554,171	-	(76,526)	-	(17,531)	2,460,114
Total fund balances	2,611,194	1,044,753	(76,526)	13,738,871	1,233,913	18,552,205
Total liabilities, deferred inflows of resources, and fund balances	$ 5,046,507	$ 1,264,881	$ 85,585	$ 15,010,396	$ 1,347,346	$ 22,754,715

The accompanying notes are an integral part of these financial statements.

LAMPASAS COUNTY, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

Total fund balance, governmental funds		$ 18,552,205
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		16,570,429
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds.		
Property taxes	516,704	
Court fines	354,485	
		871,189
Long-term liabilities (OPEB, net pension liability, compensated absences, and bonds) are not due and payable in the current period and therefore are not reported in the funds. Also, the premium on issuance of bonds and deferred resource outflows related to the net pension liability are not reported in the funds. A summary of these items are as follows:		
Long-term liabilities:		
Bonds payable	(19,230,000)	
Premium	(1,618,274)	
Capital leases	(480,859)	
Net pension liability	(1,472,121)	
Deferred resources related to pensions	519,840	
Other post employment benefit obligations	(106,611)	
OPEB related deferred inflows	(6,249)	
Deferred resources related to loss on refunding	4,104	
Compensated absences	(108,824)	
Accrued interest payable	(134,156)	
		(22,633,150)
Net position of governmental activities in the Statement of Net Position		$ 13,360,673

The accompanying notes are an integral part of these financial statements.

LAMPASAS COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General	Road and Bridge	Debt Service	Construction	Other Governmental	Total Governmental
REVENUES						
Property taxes	$ 6,307,231	$ 1,686,158	$ 1,225,693	$ -	$ -	$ 9,219,082
Sales tax	814,991	-	-	-	-	814,991
Mixed beverage tax	21,690	-	-	-	-	21,690
Licenses and permits	412,729	589,944	-	-	4,607	1,007,280
Intergovernmental	312,661	-	-	-	195,487	508,148
Contributions	61,347	-	-	-	-	61,347
Charges for services	604,043	-	-	-	119,720	723,763
Fines and forfeitures	211,105	-	-	-	28,265	239,370
Interest	50,505	17,215	624	202,473	10,038	280,855
Miscellaneous	98,259	69,070	3,808	-	510	171,647
Total revenues	8,894,561	2,362,387	1,230,125	202,473	358,627	13,048,173
EXPENDITURES						
Current:						
General government	2,193,011	-	-	-	196,077	2,389,088
Judicial	822,419	-	-	-	10,428	832,847
Public safety	4,837,352	-	-	-	536,241	5,373,593
Conservation and development	109,331	-	-	-	-	109,331
Road and bridge	-	1,921,835	-	-	-	1,921,835
Capital outlay	188,064	473,845	-	4,953,918	-	5,615,827
Debt service:						
Principal	165,071	17,443	935,000	-	-	1,117,514
Interest and other charges	6,688	2,266	399,364	143,442	-	551,760
Total expenditures	8,321,936	2,415,389	1,334,364	5,097,360	742,746	17,911,795
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	572,625	(53,002)	(104,239)	(4,894,887)	(384,119)	(4,863,622)
OTHER FINANCING SOURCES (USES)						
Issuance of bonds	-	-	-	8,740,000	-	8,740,000
Premium on issuance of bonds	-	-	-	653,442	-	653,442
Sale of general capital assets	11,781	7,024	-	-	-	18,805
Capital leases	125,059	193,000	-	-	-	318,059
Insurance recoveries	2,136	-	-	-	-	2,136
Transfers in	76,000	-	-	202,177	444,000	722,177
Transfers out	(646,177)	(21,000)	-	-	(55,000)	(722,177)
Total other financing sources (uses)	(431,201)	179,024	-	9,595,619	389,000	9,732,442
NET CHANGE IN FUND BALANCES	141,424	126,022	(104,239)	4,700,732	4,881	4,868,820
FUND BALANCES, BEGINNING	2,469,770	918,731	27,713	9,038,139	1,229,032	13,683,385
FUND BALANCES, ENDING	$ 2,611,194	$ 1,044,753	$(76,526)	$ 13,738,871	$ 1,233,913	$ 18,552,205

The accompanying notes are an integral part of these financial statements.

LAMPASAS COUNTY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds		$ 4,868,820
Amounts reported for governmental activities in the Statement of Activities are different because:		
Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		4,773,895
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt issued or incurred:		
Capital lease	(318,059)	
Bonds	(9,298,670)	
Repayment of principal of long-term debt	1,117,514	
		(8,499,215)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas in the fund financial statements, interest expenditures are reported when due.		(79,021)
Current year changes in certain long-term liabilities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	19,406	
Net OPEB obligation	(8,555)	
		10,851
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension liability were amortized.		(208,011)
Revenues from property taxes, court fines and notes receivable are not available to pay for current period expenditures, and therefore, are not reported in the funds.		41,107
Change in net position of governmental activities		$ 908,426

The accompanying notes are an integral part of these financial statements.

LAMPASAS COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

SEPTEMBER 30, 2018

	Agency Funds
ASSETS	
Cash and investments	$ 581,627
Total assets	581,627
LIABILITIES	
Due to other funds	63,947
Due to others	517,680
Total liabilities	$ 581,627

The accompanying notes are an integral part of these financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution and Vernon's Annotated Civic Statutes ("VACS"). Lampasas County, Texas (the "County") operates under a County Judge/Commissioners' Court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles ("GAAP") applicable to state and local governments. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB").

A. Reporting Entity

The Commissioners' Court has governance responsibilities over all activities related to Lampasas County, Texas. The County receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities; however, the County is not included in any other governmental as defined by Governmental Accounting Standards Board. There are no component units (other governmental entities) over which the County exercises significant controls or has oversight responsibility.

The County provides the following services to its citizens: public safety (law enforcement and detention, fire and ambulance), public transportation (roads and bridges), health and welfare (indigent health care and indigent legal fees), judicial and legal, election functions, and general and financial administrative services.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the County's nonfiduciary activities. Governmental activities, which are supported primarily by taxes, fines and fees, grants and other intergovernmental revenues are reported as governmental activities.

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

Interfund activities between governmental funds appear as due to/due froms on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures, and changes in fund balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide fund statements use the economic resources measurement focus and the accrual basis of accounting, as do the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include unmatured principal and interest on general long-term obligations which are recognized when due. This exception is in conformity with generally accepted accounting principles. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Property taxes, sales taxes, and fines associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, forfeitures, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are both measurable and available.

Intergovernmental revenues are recorded on a basis applicable to the legal and contractual requirements of the individual grant programs. If funds must be expended on the specific purpose or project before any amounts will be paid to the County, revenues are recognized as the expenditures are incurred. If funds are virtually unrestricted and irrevocable, except for failure to comply with required compliance requirements, revenues are recognized when received or susceptible to accrual. Federal and state grants awarded on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other federal reimbursable-type grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

The County reports the following major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the County.

Road and Bridge Fund – The Road and Bridge Fund is a Special Revenue Fund that is used to account for resources used by the County in connection with providing transportation services to its citizens.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources and payment of general obligation bond and principal and interest from governmental resources.

Construction Fund – The Construction Fund accounts for the construction of capital projects.

Additionally, the County reports the following fund type:

Fiduciary - Agency Funds – The County accounts for resources held for others in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurements of results of operations.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

1. Deposits and Investments

The County's cash and investments are considered to be cash on hand, demand deposits, and investment pools.

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the County to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal, availability of liquidity to meet the City's obligations and market rate of return. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The County's deposits and investments are invested pursuant to the Investment Policy. The Investment Policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition, it includes an "Investment Strategy" that specifically addresses limitations on instruments, diversification, and maturity scheduling.

The County is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Obligations of the United States of America, its agencies and instrumentalities;

2. Certificates of deposit issued by a bank organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas, or by a savings and loan association or a savings bank organized under Texas law, the law of another state, or federal law, that has its main office or a branch office in Texas and that is guaranteed or insured by the Federal Deposit insurance or its successor or secured by obligations in a manner and amount provided by law for deposits for the County;

3. Money market mutual funds that are 1) registered and regulated by the Securities and Exchange commission, 2) have a dollar weighted average stated maturity of 90 days or less, 4) rated AAA by at least one nationally recognized rating service, and 4) seek to maintain a net position value of $1 per share;

4. Local government investment pools, which 1) meet the requirements of Chapter 2256.016 of the Public Funds Investment Act, 2) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, and 3) are authorized by resolution or ordinance by the Commissioners Board.

The County participates in TexPool, which is a local government investment pool, established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller oversees TexPool, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the Investment Policy and management fee structure.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans).

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Ad valorem property taxes attach as enforceable liens as of January 1. Taxes are levied prior to September 30, payable on October 1, and are delinquent on February 1. The majority of the County's property tax collections occur during December and early January each year. To the extent that it is considered available to finance current expenditures, property tax revenue is recognized in the governmental funds in the fiscal year for which it is levied.

3. *Capital Assets*

Capital assets, which include land, buildings, machinery and equipment, and construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, machinery and equipment, and infrastructure of the County are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	32
Machinery and equipment	5-7
Infrastructure	10-20

4. *Compensated Absences*

It is the County's policy to permit employees to accumulate earned but unused vacation. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

5. *Long-term Debt*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

6. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statements element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has the following items that qualify for reporting in this category:

- Deferred loss on debt refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in actuarial assumptions related to the pension plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has four types of items that qualify for reporting in this category.

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Difference in expected and actual pension experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.

- Changes in actuarial assumptions related to the OPEB plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

7. Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by the County's highest level of decision making authority (Commissioners Court resolution). These amounts cannot be used for any other purpose unless the Commissioners Court removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- Assigned: This classification includes amounts that are constrained by the County's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners Court.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

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

8. *Net Position*

Net position represents the difference between assets, deferred outflows (inflows) of resources, and liabilities. Net position investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

9. *Deficit Fund Equity*

As of September 30, 2018, Debt Service, Juvenile Probation and Chapter 59 fund had a negative fund balance of $76,526, $16,671, and $860. The fund deficit is the result of revenues falling short of the levels expected when the budget was approved. The year-end deficit will be made up by providing supplemental funding from the General Fund by the County.

10. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expenses, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCDRS's Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

12. Other Post-Employment Benefits

Retiree Health Plan. For purposes of measuring the total OPEB liability, OPEB related deferred outflows and inflows of resources, and OPEB expense, benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Contributions are not required but are measured as payments by the County for benefits due and payable that are not reimbursed by plan assets. Information regarding the County's total OPEB liability is obtained from a report prepared by a consulting actuary.

II. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

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

The Public Funds Investment Act (Government Code Chapter 2256) (the "Act") 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: safety of principal and liquidity, portfolio diversification, allowable investments, acceptable risk levels, expected rates of return, maximum allowable stated maturity of portfolio investments, maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, investment staff quality and capabilities, and bid solicitation preferences for certificates of deposit.

Statutes authorize the County to invest in: obligations of the U. S. Treasury, certain U. S. agencies, and the State of Texas, certificates of deposit, certain municipal securities, money market savings accounts, repurchase agreements, bankers' acceptances, mutual funds, investment pools, guaranteed investment contracts, and common trust funds.

Policies Governing Deposits and Investments

In compliance with the Act, the County has adopted a deposit and investment policy. That policy addresses the following risks:

Custodial Credit Risk – Deposits: This is the risk that in the event of bank failure, the County's deposits may not be returned to it. The County was not exposed to custodial credit risk since its deposits at year-end and during the year ended September 30, 2018, were covered by depository insurance or by pledged collateral held by the County's agent bank in the County's name.

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Thus positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

TexPool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. As of September 30, 2018, the County held the following fair value measurements:

		Fair Value Measurement Using			Weighted Average Maturity
	9/30/2018	(Level 1)	(Level 2)	(Level 3)	(Days)
Investments measured at net asset value per share:					
Investment pools:					
TexPool	$ 15,484,366	$ -	$ -	$ -	28
Investments by fair value:					
Money markets, commercial paper, and CDs	3,624,814	-	3,624,814	-	
Total reporting entity	$ 19,109,180	$ -	$ 3,624,814	$ -	

B. Property Taxes

Property taxes are levied by October 1 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. Legislation was passed in 1979 and amended in 1981 by the Texas Legislature that affects the methods of property assessment and tax collection in the County. This legislation, with certain exceptions, exempts intangible personal property, household goods and family-owned automobiles from taxation. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of County-wide appraisal districts and for the State Property Tax board which commenced operation in January 1980.

As of October 1, 1981, the appraisal of property within the County was the responsibility of the Lampasas County Appraisal District (the "Appraisal District"). The Appraisal District is required under the Property Tax Code to assess all property within the Appraisal District on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. Beginning January 1, 1984, the value of property within the Appraisal District must be reappraised every three years. The County may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the County continues to set tax rates on County property.

However, if the effective tax rates for bonds and other contractual obligations and adjusted for new improvements exceeds the rate for the previous year by more than 8%, qualified voters of the County may petition for an election to determine whether to limit the tax rate to no more than 8% above the effective tax rate of the previous year.

Through a contractual arrangement with the County, the Appraisal District is responsible for the collection of taxes. The Appraisal District is governed by a Board of Directors elected by the governing bodies of the taxing entities within the District. The Board of Directors appoints a Chief Appraiser to act as Chief Administrator of the Appraisal District and an Appraisal Review Board to equalize appraised values.

The County is permitted by Article 8, Section 9 of the State of Texas Constitution to levy taxes up to $0.80 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. A practical limitation on taxes levied for debt service is $1.50 per $100 of assessed valuation as established by the Attorney General of the State of Texas. The adopted tax rate for the fiscal year ended September 30, 2018, was $.46369 per $100 valuation for maintenance and operations, $.1235 per $100 valuation for road and bridge, and $.1105 per $100 valuation for debt service.

The County's taxes on real property are a lien against such property until paid. The County may foreclose real property upon which it has a lien for unpaid taxes. Although the County makes little effort to collect delinquent taxes through foreclosure proceedings, delinquent taxes on property not otherwise collected are generally paid when there is a sale or transfer of the title on property.

C. Interfund Balances and Activity

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Interfund receivables and payables at September 30, 2018, consisted of the following:

Payable Fund	Receivable Fund	Amount
General fund	Road and bridge	$ 454,424
General fund	Nonmajor governmental funds	404,006
General fund	Construction	592,890
Debt Service	General fund	101,000
Nonmajor governmental funds	General fund	4,191
Agency funds	General fund	63,947
Total		$ 1,620,458

Interfund activity at September 30, 2018, consisted of the following to supplement fund resources, and other miscellaneous transfers to supplement fund resources:

Transfers In	Transfers Out	Amount
General fund	Road and bridge	$ 21,000
General fund	Nonmajor governmental funds	55,000
Construction fund	General fund	202,177
Nonmajor governmental funds	General fund	444,000
Total		$ 722,177

D. Receivables and Allowance for Uncollectible Accounts

Receivables as of year-end for the governmental activities, individual major governmental funds and other governmental funds, including the applicable allowances for uncollectible accounts, were as follows:

	General	Road and Bridge	Debt Service	Total
Property taxes receivable	$ 549,297	$ 142,786	$ 94,682	$ 786,765
Intergovernmental	143,422	-	-	143,422
Court fines receivable	1,946,318	-	-	1,946,318
Less: allowance for uncollectibles	(1,759,010)	(43,456)	(28,816)	(1,831,282)
Net accounts receivable	$ 880,027	$ 99,330	$ 65,866	$ 1,045,223

E. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,387,023	$ -	$ -	$ 1,387,023
Construction in progress	655,338	4,951,064	-	5,606,402
Total assets not being depreciated	2,042,361	4,951,064	-	6,993,425
Capital assets, being depreciated:				
Buildings	11,532,815	-	-	11,532,815
Machinery and equipment	6,221,425	602,131	(79,498)	6,744,058
Infrastructure	1,629,174	298,237	-	1,927,411
Total capital assets being depreciated	19,383,414	900,368	(79,498)	20,204,284
Less accumulated depreciation:				
Buildings	(4,961,962)	(376,338)	-	(5,338,300)
Machinery and equipment	(4,501,002)	(533,012)	79,498	(4,954,516)
Infrastructure	(166,277)	(168,187)	-	(334,464)
Total accumulated depreciation	(9,629,241)	(1,077,537)	79,498	(10,627,280)
Total capital assets being depreciated, net	9,754,173	(177,169)	-	9,577,004
Governmental activities capital assets, net	$ 11,796,534	$ 4,773,895	$ -	$ 16,570,429

Depreciation expense was charged to governmental functions as follows:

General government	$ 290,440
Public safety	294,417
Road and bridge	492,680
Total depreciation expense - governmental activities	$ 1,077,537

F. <u>Long-term Liabilities</u>

Capital lease obligations consist of the following at September 30, 2018:

	Total Outstanding
Capital lease payable to a finance company for the purchase of road maintenance equipment. Payments are due in annual installments of $19,708, including interest at 3.1%. Final maturity February 2021.	$ 55,639
Capital lease payable to a finance company for the purchase of vehicles. Payments are due in annual installments of $55,437, including interest at 2.300002%. Final maturity April 2020.	107,161
Capital lease payable to a finance company for the purchase of vehicles. Payments are due in annual installments of $44,497, including interest at 3.335127%. Final maturity April 2021.	125,059
Capital lease payable to a finance company for the purchase of road maintenance equipment. Payments are due in annual installments of $32,287, including interest at 2.5000001%. Final maturity October 2022.	150,000
Capital lease payable to a finance company for the purchase of road maintenance equipment. Payments are due in annual installments of $15,524, including interest at 4.099984%. Final maturity January 2021.	43,000
Total capital lease obligations	$ 480,859

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

Year ending September 30	Governmental Activities
2019	$ 167,453
2020	167,453
2021	112,016
2022	32,287
2023	32,287
Total minimum lease payments	511,496
Less: amounts representing interest	(30,637)
Present value of minimum lease payments	$ 480,859

The assets acquired through capital leases are as follows:

Equipment	$ 2,291,904
Accumulated depreciation	(1,195,578)
Equipment, net	$ 1,096,326

Bonds consist of the following at September 30, 2018:

	Total Outstanding
$3,015,000 Limited Tax Refunding Bonds, Series 2016, used for the purpose of providing funds to refund the Limited Tax Refunding Bonds, Series 2011 and to pay issuance costs associated with the bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all taxable property within the County's taxing authority. The bonds bear interest at 2.00 - 3.00% per annum through February 15, 2024. Principal payments begin February 15, 2017 and are payable in annual installments of $250,000 to $585,000 through February 15, 2021.	$ 2,165,000
$8,685,000 Limited Tax General Obligation Bonds, Series 2017, used for the purpose of (1) constructing, improving and equipping a County jail facility including the acquisition of any necessary sites; (2) constructing, improving and equipping a County sheriff's office, including the acquisition of any necessary sites and (3) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all taxable property within the County's taxing authority. The bonds bear interest at 2.00 - 4.00% per annum through August 15, 2031. Principal payments begin February 15, 2018 and are payable in annual installments of $80,000 to $565,000 through February 15, 2031.	8,325,000
$8,740,000 Limited Tax General Obligation Bonds, Series 2018, used for the purpose of (1) constructing, improving and equipping a County jail facility including the acquisition of any necessary sites; (2) constructing, improving and equipping a County sheriff's office, including the acquisition of any necessary sites and (3) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all taxable property within the County's taxing authority. The bonds bear interest at 4.00% per annum through February 15, 2038. Principal payments begin February 15, 2020 and are payable in annual installments of $100,000 to $1,400,000 through February 15, 2038.	8,740,000
Total	$ 19,230,000

The following table summarizes the annual debt service requirements of the outstanding bonds at September 30, 2018, to maturity:

Year Ending September 30,	Governmental Activities Principal	Interest	Total
2019	$ 665,000	$ 866,892	$ 1,531,892
2020	760,000	714,275	1,474,275
2021	655,000	689,900	1,344,900
2022	770,000	663,925	1,433,925
2023	800,000	635,125	1,435,125
2024-2028	4,220,000	2,700,825	6,920,825
2029-2033	5,095,000	1,778,700	6,873,700
2034-2038	6,265,000	649,500	6,914,500
Total	$ 19,230,000	$ 8,699,142	$ 27,929,142

Debt Issuance

In March 2018, the County issued $8,740,000 in limited tax general obligation bonds with an interest rates of 4%. These bonds were issued for the County jail facility, sheriff's office and professional services. Principal payments begin February 15, 2020 and are payable in annual installments of $100,000 to $1,400,000 through February 15, 2038.

Changes in Long-term Liabilities

Changes in long-term liabilities for the year ended September 30, 2018, are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds	$ 11,425,000	$ 8,740,000	$ 935,000	$ 19,230,000	$ 665,000
Premium on bonds	1,060,288	653,442	95,456	1,618,274	-
Capital leases	345,314	318,059	182,514	480,859	153,580
Compensated absences	128,230	105,130	124,536	108,824	21,765
Total long-term liabilities	$ 12,958,832	$ 9,816,631	$ 1,337,506	$ 21,437,957	$ 840,345

Compensated absences are generally liquidated by the General Fund.

III. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which it carries commercial insurance. The County uses various commercial carriers to insure against these risks. Settled claims did not exceed the coverage for any of the past three fiscal years.

B. Employee Health Insurance

During the year ended September 30, 2018, employees of the County were covered by a health insurance plan (the "Health Plan") through Blue Cross Blue Shield. The County paid premiums of $724 per month per employee to the Health Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The County pays a portion of dependent health insurance. The Health Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The total cost to the County for employee health insurance during the year ended September 30, 2018, was $899,686.

C. Other Postemployment Benefits (OPEB)

Retiree Health Plan

Plan Description

Employees can maintain coverage in the County "Health Plan" at the same level at retirement by paying 100% of the premium. Coverage is offered until the retiree reaches Medicare eligibility. Spouses can have coverage by paying 100% of the premium for the same period as the retiree. The "Health Plan" only includes medical care and does not cover dental or vision. The plan is a single-employer plan and is administered through Scott and White. No separate audited financial statements are available.

Retirees are eligible to participate in the plan at the earliest of the following:

- Age 60 with 8 years of service
- 75 points (combined age + service)
- 20 years of service

The number of employees currently covered by the benefit terms is as follows:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1
Active Plan Members	98
Total	99

Actuarial Methods and Assumptions

Significant methods and assumptions were as follows:

Actuarial Valuation Date	October 1, 2017
Actuarial Cost Method	Entry Age Normal (Level %)
Discount Rate	4.18% as of October 1, 2017
Salary Increases	3.25%
Demographic Assumptions	Based on the Texas County and District Retirement System (TCDRS) December 31, 2017 Actuarial Valuation.
Mortality	Active, Retiree, and Spousal TCDRS Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study. These Rates are Improved Generationally using 110% of the MP-2014 Ultimate scale and Weighted Based on the TCDRS December 31, 2017 Actuarial Valuation.
Participation rates	Coverage election at retirement is assumed at the following rates:

TCDRS	20%
TCDRS-Currently Waiving	7%

If an employee has waived medical coverage, it is assumed they will elect coverage in the retiree medical plan at 1/3 the rate of active employees currently with coverage. Of those employees assumed to elect coverage in retirement, 11% are assumed to elect spousal coverage. Female spouses are assumed to be 3 years younger than male spouses.

Health care cost trend rates

	BCBS Medical	
Period	Under 65	65+
FY 17 to FY 18	3.00%	3.00%
FY 18 to FY 19	6.00%	6.00%
FY 19 to FY 20	6.00%	6.00%
FY 20 to FY 21	5.50%	5.50%
FY 21 to FY 22	5.50%	5.50%
FY 22 to FY 23	5.00%	5.00%
Ultimate	5.00%	5.00%

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

A Single Discount Rate of 4.18% was used to measure the total OPEB liability. This Single Discount Rate was based on the Municipal Bond Rates as of the measurement date. The Municipal Bond Rate assumption is based on The Bond Buyer 20-Bond GO Index. The 20-Bond GO Index is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

Changes in the Total OPEB Liability

The County's total OPEB liability of $106,611 was measured as of September 30, 2018 and was determined by an actuarial valuation as of October 1, 2017.

	Total OPEB Liability
Balance at 10/01/2017	$ 104,305
Changes for the year:	
Service cost	10,840
Interest on the total OPEB liability	3,697
Changes in assumptions and other inputs	(6,722)
Benefit payments	(5,509)
Net changes	2,306
Balance at 9/30/18	$ 106,611

Changes in assumptions and other inputs reflect a change in the discount rate from 3.64% to 4.18%.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.18%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (3.18%)	Discount Rate (4.18%)	1% Increase in Discount Rate (5.18%)
County's total OPEB liability	$ 119,554	$ 106,611	$ 95,156

Healthcare Cost Trend Rate Sensitivity Analysis

The following schedule shows the impact of the total OPEB liability if the Healthcare Cost Trend Rate used was 1% less than and 1% greater than what was used in measuring the total OPEB liability.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
County's total OPEB liability	$ 90,186	$ 106,611	$ 126,784

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the County recognized OPEB expense of $14,064. At September 30, 2018, the County reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 6,249
Total	$ 6,249

Amounts reported as inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,		
2019	$(	473)
2020	(	473)
2021	(	473)
2022	(	473)
2023	(	473)
Thereafter	(	3,884)

D. Defined Benefit Pension Plan

Plan Description. The County participates in a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent, multiple-employer, public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tcdrs.org*.

All full and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

Benefits Provided. TCDRS provides retirement, disability and survivor benefits for all eligible employees. Benefit terms are established by the TCDRS Act. The benefit terms may be amended as of January 1, each year, but must remain in conformity with the Act.

Members can retire at age 60 and above with 8 or more years of service, with 20 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 eight years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. Be law, employee accounts earn 7% interest. At retirement, death or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

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	84
Inactive employees entitled to but not yet receiving benefits	46
Active employees	105
	235

Contributions. The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings, as adopted by the employer's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Under the state law governing TCDRS, the contribution rate for each entity is determined annually by the actuary and approved by the TCDRS Board of Trustees. The replacement life entry age actuarial cost method is used in determining the contribution rate. The actuarially determined rate is the estimated amount necessary to fund benefits in an orderly manner for each participate over his or her career so that sufficient funds are accumulated by the time benefit payments begin, with an additional amount to finance any unfunded accrued liability.

Employees for the County were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rate for the County was 16.00% in calendar years 2017 and 2018, respectively. The County's contributions to TCDRS for the year ended September 30, 2018, were $708,143, and were equal to the required contributions.

Net Pension Liability. The County's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Overall payroll growth	2.75% per year
Investment rate of return	8.0%, net of pension plan investment expense, including inflation

Mortality rates for active members, retirees, and beneficiaries were based on the following:

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.

Updated mortality assumptions were adopted in the actuarial valuation of December 31, 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2017, were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016.

The long-term expected rate of return on pension plan investments is 8.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees.

The long-term expected rate of return on TCDRS is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information below are based on January 2018 information for a 10-year time horizon. 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. The target allocation and best estimates of geometric real rates return for each major assets class are summarized in the following table:

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (Expected minus Inflation) (2)
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities - Emerging	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 (4)	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 Distressed Securities Index (5)	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

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

(2) *Geometric real rates of return in addition to assumed inflation of 1.95% per Cliffwater's 2018 capital market assumption*

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

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

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	$ 19,208,576	$ 16,612,624	$ 2,595,952
Changes for the year:			
Service cost	628,465	-	628,465
Interest on total pension liability [1]	1,563,823	-	1,563,823
Effect of economic/demographic gains or losses	(110,585)	-	(110,585)
Effect of assumptions changes or inputs	174,478	-	174,478
Refund of contributions	(48,012)	(48,012)	-
Benefit payments	(1,034,219)	(1,034,219)	-
Administrative expenses	-	(12,576)	12,576
Member contributions	-	295,558	(295,558)
Net investment income	-	2,423,076	(2,423,076)
Employer contributions	-	675,561	(675,561)
Other [2]	-	(1,607)	1,607
Balance at 12/31/2017	$ 20,382,526	$ 18,910,405	$ 1,472,121

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

[2] *Relates to allocation of system-wide items.*

Sensitivity Analysis

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

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	$ 22,762,937	$ 20,382,526	$ 18,353,131
Fiduciary net position	18,910,405	18,910,405	18,910,405
Net pension liability/(asset)	$ 3,852,532	$ 1,472,121	$(557,274)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. The report may be obtained on the Internet at *www.tcdrs.org*.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2018, the County recognized pension expense of $916,153. At September 30, 2018, the County reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 114,946	$ 111,698
Changes in actuarial assumptions	203,275	-
Difference between projected and actual investment earnings	-	197,944
Contributions subsequent to the measurement date	511,261	-
Total	$ 829,482	$ 309,642

$511,261, reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2019	$ 316,777
2020	87,436
2021	(179,149)
2022	(216,485)

E. New Accounting Principles

Significant new accounting standard not yet implemented by the County includes the following.

Statement No. 84, *Fiduciary Activities* – This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement will become effective for the County in fiscal year 2020.

Statement No. 87, *Leases* – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for the County in fiscal year 2021.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* – The objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement will become effective for the County in fiscal year 2019.

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objectives of this statement are to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This statement will become effective for the County in fiscal year 2021.

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* – The objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement is effective for the County in fiscal year 2020.

F. Prior Period Adjustment

During fiscal year 2018, the County adopted GASB Statement No. 75, *Accounting and Reporting for Post-Employment Benefits Other Than Pensions*. Adoption of this statement required a prior period adjustment to report the effect of the standard retroactively. The effect of this change in accounting principle on beginning net position of governmental activities was an increase of $56,755.

REQUIRED
SUPPLEMENTARY INFORMATION

LAMPASAS COUNTY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive / (Negative)
REVENUES				
Property taxes	$ 6,351,591	$ 6,351,591	$ 6,307,231	$(44,360)
Sales tax	760,000	760,000	814,991	54,991
Mixed beverage tax	-	-	21,690	21,690
Licenses and permits	444,500	444,500	412,729	(31,771)
Intergovernmental	100,200	354,133	312,661	(41,472)
Contributions	14,000	14,000	61,347	47,347
Charges for services	508,900	513,900	604,043	90,143
Fines and forfeitures	265,000	265,000	211,105	(53,895)
Interest	58,000	58,000	50,505	(7,495)
Miscellaneous	51,400	95,800	98,259	2,459
Total revenues	8,553,591	8,856,924	8,894,561	37,637
EXPENDITURES				
County judge	397,252	402,252	394,964	7,288
County auditor	621,629	604,629	425,078	179,551
County treasurer	154,241	154,241	148,883	5,358
County tax assessor	410,021	410,021	400,923	9,098
County clerk	263,000	263,000	257,464	5,536
District clerk	264,069	264,069	259,299	4,770
County sheriff	3,867,266	3,895,666	4,049,024	(153,358)
County/district attorney	300,149	301,149	300,266	883
Human resources	60,426	60,426	56,864	3,562
Non-departmental	541,050	490,850	508,835	(17,985)
Constables	74,724	74,724	56,488	18,236
Fire department	233,175	519,108	519,320	(212)
Justices of the peace	461,350	461,350	449,182	12,168
County extension office	111,657	111,657	109,331	2,326
Adult probation	4,250	4,250	3,161	1,089
Emergency medical services	120,000	120,000	120,000	-
Judicial	212,673	262,873	262,854	19
Total expenditures	8,096,932	8,400,265	8,321,936	78,329
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	456,659	456,659	572,625	115,966
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	11,000	11,000	11,781	781
Capital leases	125,059	125,059	125,059	-
Insurance recoveries	-	-	2,136	2,136
Transfers in	76,000	(76,000)	76,000	152,000
Transfers out	(668,718)	(668,718)	(646,177)	22,541
Total other financing sources (uses)	(456,659)	(608,659)	(431,201)	177,458
NET CHANGE IN FUND BALANCE	-	(152,000)	141,424	293,424
FUND BALANCE, BEGINNING	2,469,770	2,469,770	2,469,770	-
FUND BALANCE, ENDING	$ 2,469,770	$ 2,317,770	$ 2,611,194	$ 293,424

LAMPASAS COUNTY, TEXAS

ROAD AND BRIDGE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property taxes	$ 1,660,528	$ 1,660,528	$ 1,686,158	$ 25,630
Licenses and permits	653,000	653,000	589,944	(63,056)
Interest	3,000	3,000	17,215	14,215
Miscellaneous	69,000	69,000	69,070	70
Total revenues	2,385,528	2,385,528	2,362,387	(23,141)
EXPENDITURES				
Current:				
Road and bridge	2,231,422	2,231,422	1,921,835	309,587
Capital outlay	81,397	124,397	473,845	(349,448)
Debt service:				
Principal	49,443	49,443	17,443	32,000
Interest and other charges	2,266	2,266	2,266	-
Total expenditures	2,364,528	2,407,528	2,415,389	(7,861)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	21,000	(22,000)	(53,002)	(31,002)
OTHER FINANCING SOURCES (USES)				
Sale of general capital assets	-	-	7,024	7,024
Capital leases	-	43,000	193,000	150,000
Transfers out	(21,000)	(21,000)	(21,000)	-
Total other financing sources (uses)	(21,000)	22,000	179,024	157,024
NET CHANGE IN FUND BALANCE	-	-	126,022	126,022
FUND BALANCE, BEGINNING	918,731	918,731	918,731	-
FUND BALANCE, ENDING	$ 918,731	$ 918,731	$ 1,044,753	$ 126,022

LAMPASAS COUNTY, TEXAS

NOTES TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL

SEPTEMBER 30, 2018

A. BUDGETARY DATA

The County follows these procedures in establishing the budgetary data reflected in the Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for the General Fund and Road and Bridge Fund:

1. The County Judge, as budget officer, with the assistance of the County Auditor, prepares a budget to cover all proposed expenditures and the means of financing them for the succeeding year, and delivers the proposed budget to Commissioners' Court.

2. The County Auditor holds budget sessions with each department head.

3. The Commissioners' Court holds budget hearings for the public at which all interested persons' comments concerning the budget are heard.

4. The Commissioners' Court formally adopts the budget in the open court meeting.

5. The adopted budget becomes the authorization for all legal expenditures for the County for the fiscal year. Appropriations lapse at the end of the fiscal year.

6. The formally adopted budget may legally be amended by Commissioners in accordance with Article 689A-11 or 689A-20 of Vernon's Annotated Civil Statutes.

7. Annual budgets are legally adopted for the General Fund, the Road and Bridge Fund, the Debt Service Fund and the Juvenile Probation Fund. The budgets are adopted on a basis consistent with generally accepted accounting principles.

8. An appropriate resolution (the appropriated budget) to control the level of expenditures must be legally enacted on or about October 1. The County maintains its legal level of budgetary control at the department level. Amendments to the 2018 budget were approved by the Commissioners' Court as provided by law.

9. Unencumbered appropriation balances lapse at year-end and revert to the respective funds from which they were originally appropriated, thus becoming available for future appropriation.

LAMPASAS COUNTY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Measurement Date December 31,	2017	2016	2015	2014
Total Pension Liability				
Service cost	$ 628,465	$ 674,548	$ 628,861	$ 601,878
Interest total pension liability	1,563,823	1,454,959	1,402,333	1,376,603
Effect of plan changes	-	-	(2,159,297)	-
Effect of assumption changes or inputs	174,478	-	289,667	-
Effect of economic/demographic (gains) or losses	(110,585)	(57,519)	459,782	116,435
Benefit payments/refunds of contributions	(1,082,231)	(971,439)	(852,155)	(894,769)
Net change in total pension liability	1,173,950	1,100,549	(230,809)	1,200,147
Total pension liability - beginning	19,208,576	18,108,027	18,338,836	17,138,689
Total pension liability - ending (a)	$ 20,382,526	$ 19,208,576	$ 18,108,027	$ 18,338,836
Plan Fiduciary Net Position				
Employer contributions	$ 675,561	$ 637,605	$ 645,132	$ 740,102
Member contributions	295,558	278,952	282,245	318,002
Investment income net of investment expenses	2,423,076	1,145,125	(135,946)	969,505
Benefit payments refunds of contributions	(1,082,231)	(971,439)	(852,155)	(894,769)
Administrative expenses	(12,576)	(12,438)	(11,134)	(11,485)
Other	(1,607)	89,732	40,487	21,336
Net change in plan fiduciary net position	2,297,781	1,167,537	(31,371)	1,142,691
Plan fiduciary net position - beginning	16,612,624	15,445,088	15,476,459	14,333,768
Plan fiduciary net position - ending (b)	$ 18,910,405	$ 16,612,625	$ 15,445,088	$ 15,476,459
Net pension liability - ending (a) - (b)	$ 1,472,121	$ 2,595,951	$ 2,662,939	$ 2,862,377
Fiduciary net position as a percentage of total pension liability	92.78%	86.49%	85.29%	84.39%
Pensionable covered payroll	$ 4,222,255	$ 3,985,033	$ 4,032,076	$ 3,875,638
Net pension liability as a percentage of covered payroll	34.87%	65.14%	66.04%	73.86%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

LAMPASAS COUNTY, TEXAS

SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Fiscal Year Ended September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	$ 617,576	$ 617,576	$ -	$ 3,859,853	16.0%
2015	742,530	742,530	-	3,890,813	19.1%
2016	628,864	628,864	-	3,930,397	16.0%
2017	661,425	661,425	-	4,133,904	16.0%
2018	708,143	708,143	-	4,425,895	16.0%

Note: This schedule is required to have 10 years of information, but the information prior to 2014 is not available.

LAMPASAS COUNTY, TEXAS

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Valuation Timing	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<u>Methods and assumptions used to determine contributions rates:</u>	
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	8.8 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of administrative and investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projeced with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.

LAMPASAS COUNTY, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS RETIREE HEALTH CARE BENEFIT PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Measurement Date September 30,		**2018**
Total OPEB liability		
Service Cost	$	10,840
Interest on the total OPEB liability		3,697
Changes of assumptions and other inputs	(	6,722)
Benefit payments	(	5,509)
Net change in total OPEB liability		2,306
Total OPEB liability - beginning		104,305
Total OPEB liability - ending	$	106,611
Covered-employee payroll	$	4,476,849
Total OPEB liability as a percentage of covered-employee payroll		2.38%

Notes to Schedule:

- No assets are accumulated in a trust for the retiree health care plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

- This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

- Included in the changes of assumptions was an increase to the discount rate from 3.64% to 4.18%.

COMBINING
FUND STATEMENTS

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<u>NONMAJOR GOVERNMENTAL FUNDS</u>

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. These funds are as follows:

Farm to Market and Lateral Road Fund

Law Library Fund

Dog Ordinance Fund

Elections Fund

Juvenile Probation Fund

Chapter 59 Fund

Courthouse Security Fund

County Records Management Fund

Pretrial Intervention

County Clerk Records Management

District Clerk Records Management

LAMPASAS COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	Special Revenue			
	Farm to Market and Lateral Road	Law Library	Dog Ordinance	Elections
ASSETS				
Cash and investments	$ 221,738	$ 35,436	$ 57,200	$ 3,333
Due from other funds	44,915	-	-	3,490
Total assets	266,653	35,436	57,200	6,823
LIABILITIES				
Accounts payable	-	845	-	2,609
Accrued liabilities	-	-	-	2,466
Due to other funds	-	32	-	-
Total liabilities	-	877	-	5,075
FUND BALANCES				
Restricted for:				
Records management	-	-	-	1,748
Judicial	-	34,559	-	-
Public safety	-	-	57,200	-
Road and bridge	266,653	-	-	-
Unassigned	-	-	-	-
Total fund balances	266,653	34,559	57,200	1,748
Total liabilities, deferred inflows of resources and fund balances	$ 266,653	$ 35,436	$ 57,200	$ 6,823

Special Revenue					
Juvenile Probation	Chapter 59	Courthouse Security	County Records Management	PreTrial Intervention	County Clerk Records Management
$ 3,675	$ 77,080	$ 102,234	$ 33,253	$ 45,172	$ 355,291
5,036	-	-	150,000	-	200,565
8,711	77,080	102,234	183,253	45,172	555,856
18,929	77,940	-	-	-	-
6,453	-	-	-	-	-
-	-	4,159	-	-	-
25,382	77,940	4,159	-	-	-
-	-	-	183,253	-	555,856
-	-	-	-	45,172	-
-	-	98,075	-	-	-
-	-	-	-	-	-
(16,671)	(860)	-	-	-	-
(16,671)	(860)	98,075	183,253	45,172	555,856
$ 8,711	$ 77,080	$ 102,234	$ 183,253	$ 45,172	$ 555,856

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LAMPASAS COUNTY, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2018

	Special Revenue	
	District Clerk Records Management	Total Nonmajor Governmental
ASSETS		
Cash and investments	$ 8,928	$ 943,340
Due from other funds	-	404,006
Total assets	8,928	1,347,346
LIABILITIES		
Accounts payable	-	100,323
Accrued liabilities	-	8,919
Due to other funds	-	4,191
Total liabilities	-	113,433
FUND BALANCES		
Restricted for:		
Records management	-	740,857
Judicial	8,928	88,659
Public safety	-	155,275
Road and bridge	-	266,653
Unassigned	-	(17,531)
Total fund balances	8,928	1,233,913
Total liabilities, deferred inflows of resources and fund balances	$ 8,928	$ 1,347,346

LAMPASAS COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue			
	Farm to Market and Lateral Road	Law Library	Dog Ordinance	Elections
REVENUES				
Licenses and permits	$ -	$ -	$ 4,607	$ -
Intergovernmental	-	-	-	3,237
Charges for services	-	15,610	-	14,339
Fines and forfeitures	-	-	-	-
Interest	3,372	200	336	40
Miscellaneous	-	-	-	-
Total revenues	3,372	15,810	4,943	17,616
EXPENDITURES				
Current:				
General government	-	-	-	148,852
Judicial	-	10,428	-	-
Public safety	-	-	-	-
Total expenditures	-	10,428	-	148,852
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,372	5,382	4,943	(131,236)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	133,000
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	133,000
NET CHANGE IN FUND BALANCES	3,372	5,382	4,943	1,764
FUND BALANCES, BEGINNING	263,281	29,177	52,257	(16)
FUND BALANCES, ENDING	$ 266,653	$ 34,559	$ 57,200	$ 1,748

	Special Revenue					
	Juvenile Probation	Chapter 59	Courthouse Security	County Records Management	PreTrial Intervention	County Clerk Records Management
	$ -	$ -	$ -	$ -	$ -	$ -
	192,250	-	-	-	-	-
	6,255	-	12,578	8,371	36,844	23,815
	-	28,265	-	-	-	-
	84	532	800	198	275	4,201
	111	-	-	399	-	-
	198,700	28,797	13,378	8,968	37,119	28,016
	-	-	47,100	-	-	125
	-	-	-	-	-	-
	512,020	24,221	-	-	-	-
	512,020	24,221	47,100	-	-	125
	(313,320)	4,576	(33,722)	8,968	37,119	27,891
	311,000	-	-	-	-	-
	-	-	-	-	(55,000)	-
	311,000	-	-	-	(55,000)	-
	(2,320)	4,576	(33,722)	8,968	(17,881)	27,891
	(14,351)	(5,436)	131,797	174,285	63,053	527,965
	$(16,671)	$(860)	$ 98,075	$ 183,253	$ 45,172	$ 555,856

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LAMPASAS COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue	
	District Clerk Records Management	Total Nonmajor Governmental
REVENUES		
Licenses and permits	$ -	$ 4,607
Intergovernmental	-	195,487
Charges for services	1,908	119,720
Fines and forfeitures	-	28,265
Interest	-	10,038
Miscellaneous	-	510
Total revenues	1,908	358,627
EXPENDITURES		
Current:		
General government	-	196,077
Judicial	-	10,428
Public safety	-	536,241
Total expenditures	-	742,746
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,908	(384,119)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	444,000
Transfers out	-	(55,000)
Total other financing sources (uses)	-	389,000
NET CHANGE IN FUND BALANCES	1,908	4,881
FUND BALANCES, BEGINNING	7,020	1,229,032
FUND BALANCES, ENDING	$ 8,928	$ 1,233,913

LAMPASAS COUNTY, TEXAS

AGENCY FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2018

	Agency						
	State Court Cost	Children's Trust	Adult Probation	Justices of the Peace	County Clerk	District Clerk	District Clerk Child Support
ASSETS							
Cash and investments	$ 102,193	$ 1,802	$ 29,941	$ 28,622	$ 11,358	$ 161,401	$ 1,231
Total assets	102,193	1,802	29,941	28,622	11,358	161,401	1,231
LIABILITIES							
Due to other funds	60,293	1,724	1,930	-	-	-	-
Due to others	41,900	78	28,011	28,622	11,358	161,401	1,231
Total liabilities	$ 102,193	$ 1,802	$ 29,941	$ 28,622	$ 11,358	$ 161,401	$ 1,231

Agency					
Sheriff's Office Commissary	Sheriff's Office Surplus	Tax Assessor	County Attorney Hot Check	Collection Department	Totals
$ 4,832	$ 45,986	$ 119,308	$ 7,397	$ 67,556	$ 581,627
4,832	45,986	119,308	7,397	67,556	581,627
-	-	-	-	-	63,947
4,832	45,986	119,308	7,397	67,556	517,680
$ 4,832	$ 45,986	$ 119,308	$ 7,397	$ 67,556	$ 581,627

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COMPLIANCE SECTION

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

To the Honorable County Judge
and Commissioners' Court of Lampasas County
Lampasas, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lampasas County, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Lampasas County, Texas' basic financial statements, and have issued our report thereon dated June 21, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Lampasas County, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 21, 2019