

**LIBERTY COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditor's Report	1
Management's Discussion and Analysis (Required Supplementary Information)	3
 <u>Basic Financial Statements:</u>	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities and Changes in Net Position	11
Fund Financial Statements:	
Balance Sheet – Governmental Funds	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Net Position – Proprietary Fund – Internal Service Fund	19
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund – Internal Service Fund	20
Statement of Cash Flows – Proprietary Fund – Internal Service Fund	21
Statement of Fiduciary Net Position – Agency Funds	22
Notes to Financial Statements	23
 <u>Required Supplementary Information</u>	
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual General and Major Special Revenue Funds	42
Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System	46
Schedule of Employer Contributions – Texas County and District Retirement System	47
Schedule of Changes in Net OPEB Liability and Related Ratios – Post Employment Healthcare Benefits	48
Schedule of Funding Progress – Post Employment Healthcare Benefits	49
 SUPPLEMENTAL SECTION	
Combining Statements and Schedules:	
Nonmajor Governmental Funds Descriptions – Special Revenue Funds	50
Combining Balance Sheet – Nonmajor Governmental Funds	53
Combining Statement of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds	61
Fiduciary Funds Descriptions – Agency Funds	69
Combining Statement of Fiduciary Net Position – Agency Funds	70

FINANCIAL SECTION

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SWAIM, BRENTS & ASSOCIATES, P.C.
2804 Jefferson Drive
Liberty, Texas 77575
(936) 336-7205

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty 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

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty County, Texas, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows 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 Note 14 to the financial statements, effective October 1, 2017, the County adopted new accounting guidance, 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, pension plan information and other post employment benefit information on pages 3-9 and 42-49 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 combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is 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 accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 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 the effectiveness of Liberty County, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Swaim, Brents & Associates, P.C.

Swaim, Brents & Associates, P.C.

Liberty, Texas

June 28, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Liberty County, Texas (the County) presents our discussion and analysis of the County's financial performance during the fiscal year ended September 30, 2018. Please read it in conjunction with the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

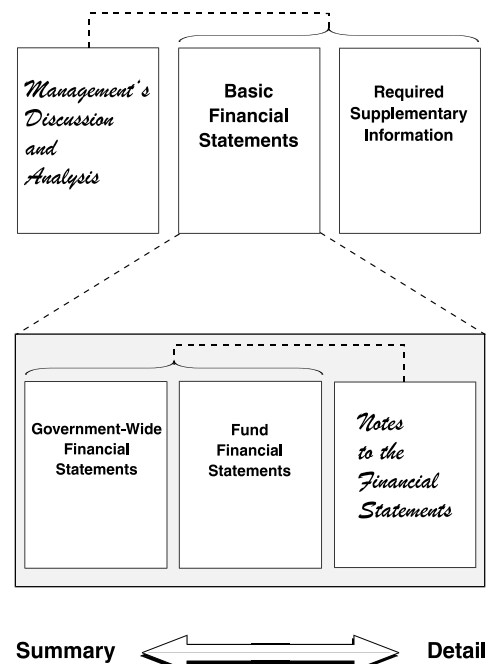
- The County's total combined net position was \$1.6 million at the end of 2018. This compares with a deficit net position of \$1.5 million at September 30, 2017. The increase in net position of \$3.1 million is primarily due to increased revenue from taxes and operating grants compared to prior year.
- Revenues for 2018 were \$47.6 million compared to \$42.7 million in 2017. The increase of \$4.9 million was attributable to higher property taxes of \$2.5 million, higher sales taxes of \$0.6 million and higher grant funding of \$1.2 million compared to the prior year.
- During the year ended September 30, 2018, the County's total expenses were \$44.4 million consistent with 2017. The total expenses included higher grant expenses than prior year by \$1.5 million. Recorded expenses for pension and OPEB costs were \$1.7 million lower than 2017 due to gains in the market. The other expenses by function were very consistent with the levels of 2017.
- The general fund reported a fund balance of \$13.4 million at September 30, 2018, a \$2.1 million increase from September 30, 2017. Additionally, the road and bridge fund reported a fund balance of \$2.3 million, consistent with 2017.
- At September 30, 2018, unassigned fund balance in the general fund was \$13.1 million, which is approximately 42 percent of general fund expenditure levels in 2018.
- During 2018, the County's bonds payable decreased \$1.4 million as the County made scheduled payments on the debt. The bond debt outstanding at September 30, 2018 was \$10.2 million.
- During 2018, the County adopted new accounting guidance for reporting of the OPEB liabilities. A cumulative effect of the change in accounting principle was recorded that reduced overall net position by \$134 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The basic financial statements of the County include (a) Management's Discussion and Analysis, (b) Government-wide Financial Statements, (c) Fund Financial Statements, (d) Notes to Financial Statements; and (e) Required Supplementary Information. The basis of presentation and the basis of accounting for the government-wide and fund financial statements is discussed below:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the County's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities in the government that operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Required Components of the County's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Major Features of the County's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds) and the County's component unit	The activities of the County that are not proprietary or fiduciary	Activities the County operates similar to private businesses & self insurance	Instances in which the County is the trustee or agent for someone else's resources
Required financial statements	♦ Statement of net position	♦ Balance sheet	♦ Statement of net position	♦ Statement of fiduciary net position – agency funds
	♦ Statement of activities	♦ Statement of revenues, expenditures & changes in fund balances	♦ Statement of revenues, expenses and changes in fund net position ♦ Statement of cash flows	
Accounting basis and measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	

Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's net position and how they have changed. Net position—the difference between the County's assets, liabilities and deferred inflows and outflows of resources—is one way to measure the County's financial health or *position*.

- Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County, one needs to consider additional nonfinancial factors such as changes in the County's tax base.

The government-wide financial statements of the County consist of *Governmental activities*. All of the County's basic services are included here, such as general government, public safety, public transportation, judicial, legal, health and welfare, financial, and interest on long-term debt. Property taxes, other taxes, and intergovernmental revenues finance most of these activities. The County's internal service fund, the employee health trust fund, is also included in these statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's most significant *funds*—not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The County Commissioners establish other funds to control and manage money for particular purposes or to show that it is properly using certain taxes, grants and fees.

The County has the following types of funds:

- *Governmental Funds*—Most of the County’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information to the right of the governmental funds statement, that explain the relationship (or differences) between them. The County’s governmental funds include the general fund, a capital projects fund, a debt service fund and 38 special revenue funds. The road and bridge fund is the only major special revenue fund.
- *Proprietary Funds*—The County has an internal service fund included in this category. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- *Fiduciary Funds*—The County has six funds that are agency funds. Because these are held in a trustee or agency capacity, the agency funds are not included in the Government-wide financial statements of the County.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net position. The County’s combined net position was \$1.6 million at September 30, 2018, compared to a negative net position of \$1.5 million at September 30, 2017. (See Table A-1).

Table A-1
County’s Net Position
(In thousands of dollars)

	Governmental Activities	Total Percentage Change	
	2018	2017	
	2018	2017	
Assets:			
Cash	\$24,549.1	\$21,112.8	16.3%
Taxes Receivable, Net	2,836.4	2,902.6	-2.3%
Due from Other Governments	1,476.9	1,141.6	29.4%
Other Receivables	-	0.2	-100.0%
Due from Others	68.2	206.5	-67.0%
Prepaid Items	254.6	223.7	13.8%
Other Assets	25.0	156.3	-84.0%
Capital Assets, Net	<u>20,883.1</u>	<u>20,541.4</u>	1.7%
Total Assets	<u>50,093.3</u>	<u>46,285.1</u>	8.2%
Deferred Outflows of Resources	<u>3,694.1</u>	<u>6,675.8</u>	-44.7%
Liabilities:			
Accounts Payable	2,536.1	2,956.6	-14.2%
Due to Other Governments	885.5	58.6	1411.1%
Due to Others	38.1	34.9	9.2%
Accrued Interest Payable	93.6	100.3	-6.7%
Long-Term Liabilities:			
Due Within One Year	2,833.3	2,496.5	13.5%
Due in More Than One Year	<u>44,978.7</u>	<u>48,209.1</u>	-6.7%
Total Liabilities	<u>51,365.3</u>	<u>53,856.0</u>	-4.6%
Deferred Inflows of Resources	<u>821.7</u>	<u>575.7</u>	42.7%
Net Position:			
Net Investment in Capital Assets	9,241.7	7,932.4	16.5%
Restricted	8,084.3	8,583.7	-5.8%
Unrestricted	<u>(15,725.6)</u>	<u>(17,986.9)</u>	12.6%
Total Net Position	<u>\$1,600.4</u>	<u>\$(1,470.8)</u>	208.8%

As of September 30, 2018, the County's overall net position was \$1.6 million. The County had invested \$9.2 million in capital assets, net of related debt. Approximately \$8.1 million of the County's net position is restricted for specific purposes including debt service, construction projects, community development, public safety, records management and judicial and legal purposes. The remaining unrestricted net position is a deficit of \$15.7 million, which is a betterment from 2017 by \$2.2 million.

The overall net position at September 30, 2017 was a deficit of \$1.5 million. The components of net position included net investment in capital assets of \$7.9 million, restricted net position of \$8.6 million and an unrestricted deficit of \$17.9 million.

Changes in Net Position

The County's total revenues for 2018 were \$47.6 million compared to \$42.7 million in 2017. A significant portion, 68 percent, of the County's revenue comes from property taxes. Other revenue sources include charges for services (14 percent), sales and other taxes (9 percent), and operating and capital grants (7 percent). The total cost of all programs and services was \$44.4 million consistent with 2017.

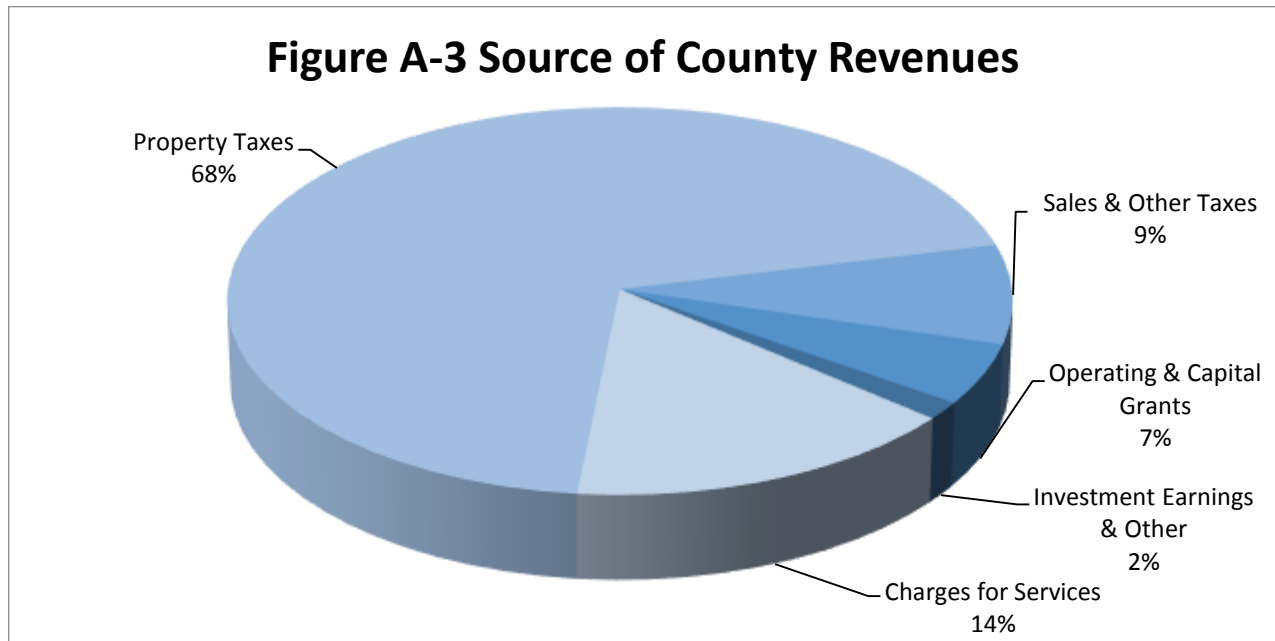


Table A-2

Changes in the County's Net Position
(In thousands of dollars)

	Governmental Activities		Total Percentage Change
	2018	2017	2018-2017
Program Revenues:			
Charges for Services	\$6,671.7	\$6,629.5	0.6%
Operating Grants and Contributions	3,183.1	1,617.0	96.9%
Capital Grants	213.4	551.6	-61.3%
General Revenues:			
Property Taxes	32,248.1	29,737.2	8.4%
Sales Taxes	4,048.0	3,478.2	16.4%
Other Taxes	62.2	62.3	-0.2%
Investment Earnings	342.7	119.7	186.3%
Other	822.3	515.0	59.7%
Total Revenues	<u>47,591.5</u>	<u>42,710.5</u>	11.4%
Expenses by Functions/ Programs			
General Government	4,638.4	5,384.0	-13.8%
Judicial	5,484.7	5,596.2	-2.0%
Legal	2,535.6	2,578.8	-1.7%
Financial	3,276.9	3,190.4	2.7%
Public Safety	15,336.4	15,337.2	0.0%
Health and Welfare	1,139.2	1,236.4	-7.9%
Public Transportation	9,653.1	9,139.5	5.6%
Community Development	788.5	174.2	352.6%
Other	1,152.2	1,348.8	-14.6%
Interest and fiscal agent fees	381.3	407.6	-6.5%
Total Expenses	<u>44,386.3</u>	<u>44,393.1</u>	0.0%
Change in Net Position	3,205.2	(1,682.6)	-290.5%
Net Position – Beginning	(1,470.8)	216.3	-780.0%
Cumulative Effect of Change in Accounting Principle (1)	(134.0)	-	-100.0%
Prior Period Adjustment (2)	-	(4.5)	-100.0%
Net Position – Ending	<u>\$1,600.4</u>	<u>\$(1,470.8)</u>	208.8%

(1) Effective October 1, 2017, the County adopted new accounting guidance for OPEB liabilities.

(2) Certain funds were reclassified by type resulting in a change in net position at the beginning of the year.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Revenues from governmental fund types totaled \$47.2 million, an increase of \$4.7 million over 2017. The increase in revenues was primarily attributable to an increase in property taxes and sales taxes compared to prior year. Expenditures for the governmental funds were higher than 2017 by \$2.5 million (6%). Overall functional expenditures increased over 2017, with the exception of general government expenditures that decreased \$0.5 million. Capital expenditures in 2018 were \$2.9 million compared to \$2.1 million in 2017.

The General Fund revenues increased \$4.5 million over 2017 to \$34.4 million, primarily due to an increase in property taxes (\$2.3 million) and sales taxes (\$0.6 million). The expenditures of the General Fund increased \$0.8 million over 2017 primarily due to a \$0.6 million increase in public safety expenditures.

The Road and Bridge Special Revenue Fund revenues increased \$0.6 million from 2017 to \$8.2 million. The increase was primarily due to higher property taxes (\$0.4 million). Expenditures for road and bridge operations increased \$1.2 million, primarily due to an increase in capital expenditures of \$0.8 million over the prior year. The Road And Bridge Special Revenue Fund had capital lease financing that provided other financing sources of \$0.7 million. As a result, the fund balance remained consistent with 2017.

General Fund Budgetary Highlights

The County revises its budget as needed to meet the needs of the County. General fund revenues were \$1.4 million (4%) higher than budgeted primarily due to revenues overall than expected. Expenditures were lower than appropriations by \$2.1 million (6%) as actual expenditures for all functions was below budgeted amounts. The general government and public safety functions had the most significant variations from budget at \$0.4 million and \$1.5 million lower than budget, respectfully.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the County had invested \$71.2 million in a broad range of capital assets, including land, machinery and equipment, buildings, vehicles, infrastructure. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$3.2 million over the prior year, before consideration of depreciation.

Table A-4

County's Capital Assets
(In thousands of dollars)

	Governmental Activities		Total Percentage Change
	2018	2017	2018-2017
Land	\$3,119.7	\$2,618.8	19.1%
Buildings and Improvements	16,082.6	15,754.8	2.1%
Furniture, Machinery and Equipment	21,836.6	19,424.8	12.4%
Infrastructure	30,153.8	30,153.8	0%
Totals at Historical Cost	71,192.7	67,952.1	4.8%
Total Accumulated Depreciation	(50,309.6)	(47,410.7)	6.1%
Net Capital Assets	\$20,883.1	\$20,541.4	1.7%

Long-Term Liabilities

At yearend, the County had \$12.2 million in long-term debt outstanding, as well as other long-term liabilities related to employee benefits as shown in Table A-5. More detailed information out the County's debt is presented in the notes to the financial statements.

Table A-5
County's Long-Term Liabilities
(In thousands of dollars)

	Governmental Activities		Total Percentage Change
	2018	2017	2018-2017
General Obligation Refunding Bonds	\$10,150.0	\$11,510.0	-11.8%
Issuance Premiums	261.2	287.3	-9.1%
Obligations Under Capital Leases	1,765.2	1,435.8	22.9%
Compensated Absences	846.5	811.8	4.3%
Net Pension Liability	9,935.9	13,325.4	-25.4%
Other Postemployment Benefits	24,853.2	23,469.4	5.9%
Total Long Term Liabilities	<u>\$47,812.0</u>	<u>\$50,839.7</u>	-6.0%

The County's bonds are rated "AA/Stable" by Standard & Poor's Rating Services.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2019 budget preparation increased almost 7% over the amounts used in 2018. The combined tax rate is budgeted to remain consistent at \$0.5788 per \$100 assessed valuation. As a result, property taxes are expected to increase approximately 7% over prior year. Overall general fund revenues are expected to increase 2% over 2018 levels.
- General operating fund spending in the 2019 budget is expected to be \$35.2 million, a 2.3% increase over budgeted amounts for 2018.

These indicators were taken into account when adopting the general fund budget for 2019. The 2019 general fund budget is a balanced budget. As a result fund balance in the general fund is expected to remain consistent with 2018 levels.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions about this report or requests for additional financial information, should be directed to Dwayne Gott, CPA, County Auditor's Office, Liberty County, Texas, 1923 Sam Houston, Liberty, Texas 77575.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
<u>ASSETS</u>	
Cash and Cash Equivalents	\$24,549,128
Taxes Receivable, Net	2,836,344
Due from Other Governments	1,476,941
Due from Others	68,218
Prepays	254,577
Other Assets	25,000
Capital Assets, Net	20,883,098
TOTAL ASSETS	<u>50,093,306</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Interest on Refunded Debt	534,970
Deferred Outflows Related to Pensions	3,159,091
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,694,061</u>
<u>LIABILITIES</u>	
Accounts Payable and Accrued Liabilities	2,536,081
Due to Other Governments	885,543
Due to Others	38,076
Accrued Interest Payable	93,642
Long-term Liabilities:	
Due Within One Year	2,833,263
Due In More Than One Year	44,978,716
TOTAL LIABILITIES	<u>51,365,321</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Revenue Received in Advance	-
Deferred Inflows Related to Pensions	821,673
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>821,673</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	9,241,710
Restricted	8,084,261
Unrestricted	(15,725,598)
TOTAL NET POSITION	<u>\$1,600,373</u>

The accompanying notes are an integral part of this statement.

LIBERTY COUNTY, TEXAS
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants</u>
Primary Government:				
Government Activities:				
General Government	\$4,638,371	\$1,532,179	\$915,467	-
Judicial	5,484,745	1,500,224	594	-
Legal	2,535,602	163,646	10,367	-
Financial	3,276,912	-	-	-
Public Safety	15,336,391	442,733	502,633	-
Health and Welfare	1,139,214	-	-	-
Public Transportation	9,653,058	2,069,077	965,592	\$213,418
Community Development	788,453	-	788,453	-
Other	1,152,179	963,885	-	-
Interest on Long-Term Debt	381,366	-	-	-
Total Governmental Activities	44,386,291	6,671,744	3,183,106	213,418
Total Primary Government	\$44,386,291	\$6,671,744	\$3,183,106	\$213,418

General Revenues
Property Taxes
Sales Tax
Other Taxes
Miscellaneous Income
Investment Income
Total General Revenues

Change in Net Position

Net Position, Beginning of Year
Cumulative Effect of Change in
of Accounting Principle
Net Position, Beginning of Year (Restated)

Net Position, End of Year

The accompanying notes are an integral part of this statement.

Net (Expenses)
Revenue and
Changes in Net
Position

Governmental
Activities

\$(2,190,725)
(3,983,927)
(2,361,589)
(3,276,912)
(14,391,025)
(1,139,214)
(6,404,971)
-
(188,294)
(381,366)

(34,318,023)

32,248,132
4,048,024
62,235
822,257
342,641

37,523,289

3,205,266

(1,470,844)

(134,049)

(1,604,893)

\$1,600,373

LIBERTY COUNTY, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Capital Projects</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$12,019,411	\$2,538,391	\$3,821,254
Taxes Receivable, Net	2,119,119	548,319	-
Other Receivables	-	-	-
Due from Other Governments	837,975	283,195	-
Due from Others	12,673	-	-
Due from Other Funds	1,303,415	-	-
Prepaid Items	254,577	-	-
Other Assets	25,000	-	-
TOTAL ASSETS	16,572,170	3,369,905	3,821,254
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$16,572,170	\$3,369,905	\$3,821,254
<u>LIABILITIES</u>			
Accounts Payable and Accrued Liabilities	\$1,062,688	\$562,825	-
Due to Other Governments	178,116	-	\$18,262
Due to Others	14,202	-	-
Due to Other Funds	-	-	-
TOTAL LIABILITIES	1,255,006	562,825	18,262
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable Revenue – Property Taxes	1,958,626	509,464	-
Revenue Received in Advance	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1,958,626	509,464	-
<u>FUND BALANCES</u>			
Unspendable – Prepaid Items	254,577	-	-
Restricted Fund Balances:			
Debt Service	-	-	-
Capital Projects	-	-	\$3,802,992
Special Revenue Funds	-	-	-
Committed Fund Balance	-	2,297,616	-
Unassigned	13,103,961	-	-
TOTAL FUND BALANCES	13,358,538	2,297,616	3,802,992
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$16,572,170	\$3,369,905	\$3,821,254

The accompanying notes are an integral part of this statement.

<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$444,835	\$4,625,397	\$23,449,288
168,906	-	2,836,344
-	-	-
-	355,771	1,476,941
-	54,568	67,241
-	-	1,303,415
-	-	254,577
-	-	25,000
613,741	5,035,736	29,412,806
-	-	-
\$613,741	\$5,035,736	\$29,412,806
-	\$431,547	\$2,057,060
-	689,165	885,543
-	23,874	38,076
-	68,227	68,227
-	1,212,813	3,048,906
\$155,395	-	2,623,485
-	-	-
155,395	-	2,623,485
-	-	254,577
458,346	-	458,346
-	-	3,802,992
-	3,822,923	3,822,923
-	-	2,297,616
-	-	13,103,961
458,346	3,822,923	23,740,415
\$613,741	\$5,035,736	\$29,412,806

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LIBERTY COUNTY, TEXAS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
SEPTEMBER 30, 2018

TOTAL GOVERNMENTAL FUND BALANCES	\$23,740,415
Amounts reported for governmental activities in the Statement of Net Position (SNP) are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	20,883,098
The internal service fund is used to charge the costs of self-insurance activities to the appropriate function in the other funds. The assets and liabilities of the internal service fund is included in governmental activities in the SNP.	(613,392)
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	2,623,485
Payables for debt principal which are not due in the current period are not reported in the funds.	(11,915,192)
Payables for debt interest which are not due in the current period are not reported in the funds.	(93,642)
The premium paid for bond issuance is income in the funds when incurred but are deferred and amortized in the SNP.	(261,166)
The liability for net pension obligation is not due in the current period and is not reported in the funds.	(9,935,975)
The liability for OPEB is not due in the current period and is not reported in the funds.	(24,853,176)
The liability for compensated absences is not due in the current period and is not reported in the funds.	(846,470)
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the funds, as follows:	
Deferred outflows of resources	3,159,091
Deferred inflows of resources	(821,673)
Interest on advance refunding of debt is expensed in the funds but deferred and amortized in the SNP.	<u>534,970</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$1,600,373</u>

The accompanying notes are an integral part of this statement.

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

	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Capital Projects</u>
REVENUES:			
Ad Valorem Taxes	\$24,540,224	\$5,994,991	-
Sales Tax	4,048,024	-	-
Other Taxes	62,235	-	-
Licenses and Permits	963,885	-	-
Fees, Fines & Forfeitures	2,888,420	1,691,999	-
Charges for Services	75,422	-	-
Intergovernmental Revenue	915,467	379,228	-
Investment Income	289,479	-	\$37,836
Other Revenues	638,552	180,819	-
TOTAL REVENUES	34,421,708	8,247,037	37,836
EXPENDITURES:			
General Government	3,954,012	-	-
Judicial	5,117,794	-	-
Legal	2,320,022	-	-
Financial	3,199,463	-	-
Public Safety	13,860,525	-	-
Health and Welfare	1,127,744	-	-
Public Transportation	-	7,086,450	-
Other	738,223	390,210	-
Capital Expenditures	529,582	1,288,001	-
Debt Service: Principal	204,624	196,410	-
Interest & Fees	37,564	16,620	-
TOTAL EXPENDITURES	31,089,553	8,977,691	-
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	3,332,155	(730,654)	37,836
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	53,494	4,635	-
Operating Transfers Out	(1,311,928)	(12,571)	-
Capital Lease Issuance	-	730,403	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,258,434)	722,467	-
Net Change In Fund Balances	2,073,721	(8,187)	37,836
Fund Balances, Beginning of Year	11,284,817	2,305,803	3,765,156
Fund Balances, End of Year	\$13,358,538	\$2,297,616	\$3,802,992

The accompanying notes are an integral part of this statement.

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

Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$1,691,090	-	\$32,226,305
-	-	4,048,024
-	-	62,235
-	-	963,885
-	\$978,291	5,558,710
-	73,727	149,149
-	1,740,093	3,034,788
5,609	4,915	337,839
-	2,886	822,257
1,696,699	2,799,912	47,203,192
-	109,465	4,063,477
-	136,910	5,254,704
-	144,415	2,464,437
-	-	3,199,463
-	683,104	14,543,629
-	-	1,127,744
-	472,784	7,559,234
-	788,453	1,916,886
-	1,061,280	2,878,863
1,360,000	-	1,761,034
270,787	-	324,971
1,630,787	3,396,411	45,094,442
65,912	(596,499)	2,108,750
-	51,444	109,573
-	(58,066)	(1,382,565)
-	-	730,403
-	(6,622)	(542,589)
65,912	(603,121)	1,566,161
392,434	4,426,044	22,174,254
\$458,346	\$3,822,923	\$23,740,415

The accompanying notes are an integral part of this statement.

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LIBERTY 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 CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$1,566,161
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
The internal service fund is used to charge the costs of self-insurance activities to the appropriate functions in the other funds. The net revenue (expense) of the internal service fund is included in the governmental activities in the SOA.	1,650,523
Capital outlays are not reported as expenses in the SOA.	2,878,863
Noncash asset donations and grants are not a current financial resource in the funds.	361,736
The depreciation of capital assets used in the governmental activities are not reported in the funds.	(2,898,887)
Interest paid for advance refunding of bonds is expensed in the funds but is deferred and amortized in the SNP. This is the change in amounts this year.	(89,162)
Premium received with bond issuance is revenue in the funds, but is deferred and amortized in the SNP. This is the change in these amounts this year.	26,116
Certain property taxes are deferred inflows in the funds. This is the change in these amounts this year.	21,827
Interest is not expensed until paid in the funds but is expensed when incurred in the SOA. This is the change in these amounts this year.	6,651
Payables for compensated absences which were not due in the current period are not reported in the funds. This is the change in these amounts this year.	(34,631)
Proceeds from issuance of debt is a current financial resource in the funds but not in the SOA.	(730,403)
Repayment of debt principal is an expenditure in the funds but is not an expense in the SOA.	1,761,034
Change in the OPEB liability is not reported as expenses in the funds.	(1,383,738)
Change in net pension obligation and deferred outflows and inflows related to pensions are not reported as expenses in the funds.	<u>69,176</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$3,205,266</u>

LIBERTY COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2018

	Governmental Activities
	<u>Internal Service Fund</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$1,099,840
Due from Others	977
TOTAL ASSETS	<u>1,100,817</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	<u>-</u>
<u>LIABILITIES</u>	
Accounts Payable	479,021
Due to Other Funds	1,235,188
TOTAL LIABILITIES	<u>1,714,209</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	<u>-</u>
<u>NET POSITION</u>	
Unrestricted (Deficit)	(613,392)
TOTAL NET POSITION	<u><u>\$(613,392)</u></u>

The accompanying notes are an integral part of this statement.

LIBERTY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2018

	Governmental Activities
	Internal Service Fund
<u>OPERATING REVENUES:</u>	
County and Employee Contributions	\$5,860,693
TOTAL OPERATING REVENUES	<u>5,860,693</u>
<u>OPERATING EXPENSES:</u>	
Claims, Premiums and Administrative Costs	5,487,964
TOTAL OPERATING EXPENSES	<u>5,487,964</u>
NET OPERATING INCOME (LOSS)	372,729
<u>NONOPERATING REVENUES (EXPENSES):</u>	
Investment Income	4,802
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>4,802</u>
INCOME (LOSS) BEFORE TRANSFERS	377,531
Operating Transfers In	1,272,992
Operating Transfers Out	<u>-</u>
CHANGES IN NET POSITION	1,650,523
NET POSITION, BEGINNING OF YEAR	<u>(2,263,915)</u>
NET POSITION, END OF YEAR	<u><u>\$(613,392)</u></u>

The accompanying notes are an integral part of this statement.

LIBERTY COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2018

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from County and Employee Contributions	\$5,863,287
Cash Paid for Claims, Premiums, and Administrative Costs	<u>(5,516,686)</u>
NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES	<u>346,601</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest on Cash and Investments	<u>4,802</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>4,802</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	351,403
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>748,437</u>
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$1,099,840</u>

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:

Operating Income (Loss)	\$372,729
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) for Operating Activities -	
(Increase) Decrease in:	
Due from Others	2,594
Increase (Decrease) in:	
Accounts Payable	(41,485)
Due to Other Funds	<u>12,763</u>
NET CASH PROVIDED (USED) FOR OPERATING ACTIVITIES	<u>\$346,601</u>

The accompanying notes are an integral part of this statement.

LIBERTY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
YEAR ENDED SEPTEMBER 30, 2018

ASSETS

Cash & Cash Equivalents	\$9,779,703
Due from Others	49,632
TOTAL ASSETS	<u>\$9,829,335</u>

LIABILITIES

Accounts Payable and Accrued Liabilities	\$10,834
Due to Other Governments	215,975
Due to Others	9,602,526
TOTAL LIABILITIES	<u>\$9,829,335</u>

The accompanying notes are an integral part of this statement.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity –

Liberty County, Texas, is an independent government entity created in 1836 by an act of the Texas Legislature. The County is governed by Commissioners' Court, composed of four County Commissioners and the county Judge, all of which are elected officials.

The County's financial statement include the accounts of all County operations. The major operations include general government, judicial, legal, financial, public safety, health and welfare and public transportation services.

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

For financial reporting purposes, the County includes all entities, organizations or functions that are controlled by or dependent on the County. Control or dependence is determined on the basis of control of the governing board, budget adoption, taxing authority, and responsibility for debts or deficits.

The accompanying financial statements include those of the Liberty County, Texas (the primary government) and its component unit. The Liberty County Juvenile Probation Department, an entity legally separate from the County, is so closely related to the County that it is considered an extension of the County. Therefore, the entity is reported as if it were part of the County's operations, and is included in the financial reporting entity as a blended component unit. Its financial activity is reported as a special revenue fund in the accompanying financial statements. The financial statements of the entity are separately audited as of their fiscal year end (August 31) to meet the reporting requirements of their major funding source (the State of Texas). Audited financial statements can be obtained by contacting the Liberty County Auditor, 1923 Sam Houston, Liberty, Texas 77575. There are no other entities that should be included in the County's reporting entity because of significant operational or financial relationships to the County.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation –

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Government-Wide Statements: The Statement of Net Position and the Statement of Activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed through user charges.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self financing or draws from the general revenues of the County.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Financial Statements: Fund financial statements report detailed information about the County. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. The focus of governmental and proprietary fund financial statements is on the major funds rather than reporting funds by type. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

Governmental Fund Types: All governmental funds are reported using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become 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. Property taxes receivable, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes are recorded and deferred until they become available. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. The funds included in this category are as follows:

General Fund – This fund is the general operating fund of the County and is used to account for resources and functions traditionally associated with governments that are not required to be accounted for in another fund.

Special Revenue Funds – These funds are established to account for the proceeds of specific revenue sources other than assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes. The Road & Bridge Fund is a major special revenue fund. It is used to account for revenues of property taxes levied and vehicle registration fees for the road & bridge activities. Uses of funds are restricted for the maintenance of roads, bridges and the operations of related facilities. All precinct operations as well as permanent road monies are accounted for in this fund. All other special revenue funds are nonmajor for the current fiscal year.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, all general obligation indebtedness. The Debt Service Fund of the County is reflected as a major fund for financial reporting purposes.

Capital Projects Funds – These funds are used to account for all major capital expenditures not financed by the proprietary or trust funds. The County has a Capital Projects Fund (major fund) that includes remaining unspent funds from a debt issuance that is restricted for the acquisition or construction of capital facilities and other capital assets.

Proprietary Fund Types: All proprietary funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. These funds account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recognized when incurred.

The County has an internal service fund included in this category. The Internal Service Fund accounts for revenues and expenses related to the County's medical and dental self-insurance program in accordance with Chapter 172 of the Texas Government code. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Revenues are derived from county contributions, employee and retiree COBRA premiums and investment of idle funds. Expenses are for claims, premiums, and administrative costs. The general fund is contingently liable for liabilities of the internal service fund. Sub-fund accounting is employed to maintain the integrity of the self-insurance activities of the County.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund Types: Fiduciary fund statements are prepared using the economic resources measurement focus and the full accrual basis of accounting. The agency funds report resources held by the County in a custodial capacity for individuals, organizations, and other units of governments.

C. Use of Estimates –

The preparation of financial statements in conformity with generally accepted accounting principles, as applicable to governmental entities, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Budgets and Budgetary Accounting –

Prior to September 30, of each year, the County adopts a budget for the fiscal year beginning October 1, of that year. The budget, which includes anticipated revenues and expenditures, is adopted for the General Fund and most special revenue funds. The legal level of control is the department level for all funds. Management may not amend the budget without the approval of Commissioners' Court. The budget is amended by the Commissioners' Court as needed throughout the year.

E. Interfund Transactions and Balances –

Interfund transactions intended to reflect the transfer of resources between funds are reflected as transfers. Certain transactions representing short-term liabilities between funds are recorded as receivables and payables in the respective funds at the time the transactions are reported on the fund basis statements. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

F. Cash and Cash Equivalents –

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash deposits and certificates of deposit are reported at their carrying amount, which reasonably estimates fair value.

G. Accounts Receivable –

All receivables are shown net of any allowance for uncollectible amounts.

H. Inventories –

The County does not maintain significant inventories of materials and supplies in the governmental fund types. The costs of inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method.

I. Prepaid Items –

Certain payments to vendors reflect costs applicable to future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

J. Capital Assets and Depreciation –

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the County as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated. The minimum capitalization threshold is any individual item with a total cost greater than \$5,000, and an estimated useful life in excess of one year.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the case of the initial capitalization of general infrastructure assets, the County chose to include all such items regardless of their acquisition date or amount. The County was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the County constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in progress are not depreciated. Other capital assets are being depreciated using the straight-line method and depreciation expense for governmental assets is specifically identified by function. The following estimated useful lives are used for calculating depreciation expense:

	<u>Depreciable Life</u>
Infrastructure	40-50
Building & improvements	30
Vehicles	5-8
Machinery & equipment	5-10
Furniture and fixtures	3-10

K. Deferred Outflows/Inflows of Resources –

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an addition to net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

L. Long-term Obligations –

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds.

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

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the fund financial statements. Lease payments representing both principal and interest are recorded as expenditures in the fund upon payment. Principal payments reduce long-term obligations in the government-wide financial statements.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Balances –

In the fund financial statements, governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the County Commissioners' Court through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the County Commissioners' Court. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in any other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted fund balances are available for use, it is the County's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statements, net position are reported as restricted when constraints placed on net position are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

N. Net Position –

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

O. Property Taxes –

Property taxes attach as an enforceable lien on real property and are levied as of October 1 of each year. 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 February 1, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Uncollected amount at yearend are reported as deferred revenue. Delinquent property taxes collected within 60 days subsequent to yearend are recognized as revenue and the remainder is deferred.

P. Pensions –

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, 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 recognized in the period that compensation is reported for the employee, which is when 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.

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

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions –

In accordance with GASB Statement No. 38, “Certain Financial Statement Note Disclosures”, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not applicable

B. Deficit Fund Balance or Fund Net Assets of Individual Funds –

Following are funds having deficit fund balances or fund net assets at year-end, if any, along with remarks that address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	
Internal Service Fund	\$(337,404)	The Internal Service Fund accounts for health insurance benefits and has an interfund payable to the General Fund. See Note 5.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

The County’s funds are required to be deposited and invested under the terms of a depository contract. The County’s funds on deposit at the depository bank are required to be collateralized by securities and FDIC insurance. The depository bank deposits for safekeeping and trust approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

A. Cash Deposits –

The County’s cash deposits at September 30, 2018, and during the year ended September 30, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the County’s agent bank in the County’s name.

B. Investments –

The County is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, investment practices of the County were in accordance with local policies.

The Act determines the types of investments that are allowable for the County. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and commercial paper.

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

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

C. Analysis of Specific Deposit and Investment Risks –

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year-end and if so, the reporting of certain related disclosures:

1. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk.

2. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the County's name.

At year-end, the County was not exposed to custodial credit risk.

3. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the County was not exposed to concentration of credit risk.

4. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the County was not exposed to interest rate risk.

5. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the County was not exposed to foreign currency risk.

NOTE 4 – PROPERTY TAXES

Taxable property within the County is subject to assessment, levy and collection of ad valorem taxes necessary to provide for the payment of general obligation indebtedness, and to support the general governmental services provided. The total tax rate for the fiscal year ended September 30, 2018, was \$0.5788 per \$100 assessed valuation based on the total net assessed value of \$5,620,992,301. This includes a debt service rate of \$0.0299 per \$100 assessed valuation and a maintenance and operations rate of \$0.5489 per \$100 assessed valuation. The maintenance and operations rate includes \$0.1091 for road and bridge maintenance and operations.

Taxes are levied on October 1 of each year, and are payable without penalty or interest through the following January 31. The County recognizes property tax revenue when levied to the extent that it results in current receivables.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes receivable of \$6,713,883 at September 30, 2018, are based on historical experience in collecting property taxes.

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

NOTE 5 – DUE TO/FROM OTHER FUNDS

As of September 30, 2018, interfund receivables and payables consisted of the following:

<u>Due to Fund</u>	<u>Due from Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Internal Service Fund	\$1,235,188	Short-term loan
General Fund	Other Special Revenue Funds	<u>68,227</u>	Short-term loans primarily in anticipation of grant funding
		<u>\$1,303,415</u>	

NOTE 6 – TRANSFERS BETWEEN FUNDS

Transfers between funds during 2018 consisted of the following:

<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	<u>Amount</u>
General Fund	Law Library Fund	\$1,407
General Fund	Road and Bridge Fund	12,571
General Fund	District Clerk Child Support Fund	15,995
General Fund	Sheriff's Grants Fund	23,521
Road and Bridge Fund	Land Acquisition Fund	4,635
Victims Assistance Coordinator	District Attorney Forfeiture Fund	12,508
District Attorney Pretrial Diversion	General Fund	38,936
Internal Service Fund	General Fund	<u>1,272,992</u>
		<u>\$1,382,565</u>

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

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

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

	Beginning Balances	Increases	Decreases & Transfers	Ending Balances
<i>Governmental Activities:</i>				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$2,618,764	\$500,987	-	\$3,119,751
Total Capital Assets Not Being Depreciated	<u>2,618,764</u>	<u>500,987</u>	<u>-</u>	<u>3,119,751</u>
<i>Capital Assets Being Depreciated:</i>				
Buildings and Improvements	15,754,817	139,762	\$188,075	16,082,654
Infrastructure	30,153,759	-	-	30,153,759
Furniture, Machinery and Equipment	19,424,796	2,599,850	(188,075)	21,836,571
Total Capital Assets Being Depreciated	<u>65,333,372</u>	<u>2,739,612</u>	<u>-</u>	<u>68,072,984</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	12,901,372	403,136	8,625	13,313,133
Infrastructure	19,571,503	1,274,272	-	20,845,775
Furniture, Machinery and Equipment	14,937,875	1,221,479	(8,625)	16,150,729
Total Accumulated Depreciation	<u>47,410,750</u>	<u>2,898,887</u>	<u>-</u>	<u>50,309,637</u>
Total Capital Assets Being Depreciated, Net	<u>17,922,622</u>	<u>(159,227)</u>	<u>-</u>	<u>17,763,347</u>
Governmental Activities Capital Assets, Net	<u>\$20,541,386</u>	<u>\$341,710</u>	<u>\$-</u>	<u>\$20,883,098</u>

Depreciation was charged to governmental functions as follows:

<i>Governmental Activities:</i>	
General Government	\$434,951
Judicial	115,259
Financial	5,560
Public Safety	394,631
Public Transportation	<u>1,948,486</u>
Total Depreciation Expense	<u>\$2,898,887</u>

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

NOTE 8 – LONG-TERM LIABILITIES

Long-term liability activity for the year ended September 30, 2018 was as follows:

	Rate	Beginning Balance	Increases	Decreases	Ending Balance	Amount Due in One Year
Governmental Activities:						
Bonds:						
General Obligation Refunding Bonds, Series 2010A (Maturing 8/1/2028)	2.0-4.0%	\$3,195,000	-	\$(235,000)	\$2,960,000	\$245,000
General Obligation Refunding Bonds, Series 2012 (Maturing 8/1/2024)	1.71%	8,315,000	-	(1,125,000)	7,190,000	1,145,000
Bond Premium		287,282	-	(26,116)	261,166	-
Total Bonds Payable		11,797,282	-	(1,386,116)	10,411,166	1,390,000
Capital Lease Obligations		1,435,823	730,403	(401,034)	1,765,192	596,793
Other Liabilities:						
Compensated Absences		811,839	\$478,272	(443,641)	846,470	846,470
Net Pension Liability		13,325,358		(3,389,383)	9,935,975	-
Other Postemployment Benefits		23,469,438	1,383,738	-	24,853,176	-
Total Governmental Activities		\$50,839,740	\$2,592,413	\$(5,620,174)	\$47,811,979	\$2,833,263

Bonds and Certificates of Obligation

General obligation bonds and certificates are serviced by the debt service fund funded by tax levy. Principal and interest requirements to retire the County's general long-term bonds are as follows as of September 30, 2018:

Fiscal Year	General Obligation Bonds		Total Debt Service
	Principal	Interest	
2019	\$1,390,000	\$241,349	\$1,631,349
2020	1,420,000	211,970	1,631,970
2021	1,455,000	181,848	1,636,848
2022	1,490,000	150,899	1,640,899
2023	1,520,000	119,008	1,639,008
2024-2028	2,875,000	221,775	3,096,775
Total	\$10,150,000	\$1,126,849	\$11,276,849

The County has general obligation refunding bonds remaining outstanding at September 30, 2018. The bonds were originally issued in 2010 and in 2012 to retire other issuances of debt with higher interest rates.

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

NOTE 8 – LONG TERM LIABILITIES (CONTINUED)

Governmental Activities Capital Leases

Property held under capital leases at September 30, 2018 totaled \$2,599,189. Future minimum lease payments for capital leases as of September 30, 2018, are as follows:

<u>Year Ending September 30,</u>	
2018	\$635,574
2019	374,187
2020	362,004
2021	347,593
2022	<u>214,334</u>
Total	1,933,692
Amount Representing Interest	<u>(168,500)</u>
Total	<u>\$1,765,192</u>

Compensated Absences

County employees are entitled to certain compensated absences based on the length of their employment. Compensatory time may be carried from one year to the next year. Employees will be paid for unused compensatory time upon separation of employment. Employees' compensatory leave is earned one hour for each hour worked in excess of 40 hours in a single work week. Compensatory time may not exceed 80 hours for exempt employees. Non-exempt employees can earn up to 240 hours for regular employees and up to 480 hours for law enforcement commissioned employees. Compensation for vacation time may be carried from one year to the next year. Employees will be paid for unused vacation time up to 120 hours upon separation of employment. Unused accrued vacation in excess of these days will not be reimbursed. Accrued compensated absences at September 30, 2018, were \$846,470.

NOTE 9 – PENSION PLAN

Plan Description

The County provides retirement benefits for all of its full-time employees through a nontraditional defined benefit pension plan (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 separate nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or can be obtained at www.tcdrs.org.

Benefits Provided

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

Benefit amounts are determined by the sum of the employee's 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

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

NOTE 9 – PENSION PLAN (CONTINUED)

adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is accumulated by converting the sum of the employee’s accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

At December 31, 2017, the latest available valuation and measurement date, the following employees were covered by the plan:

Active employees	391
Inactive employees or beneficiaries currently receiving benefits	260
Inactive employees entitled to but not yet receiving benefits	<u>232</u>
	<u>883</u>

Contributions

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 17.43% and 17.07% for the months of the accounting years in 2018 and 2017, respectively. The contribution rate payable by the employee members for 2018 and 2017 is the rate of 7% as adopted by the governing body of the employer. All eligible employees of the District are required to participate in TCDRS.

Net Pension Liability

The District’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

Real rate of return	5.25 percent
Inflation	2.75 percent
Investment rate of return	8.0 percent, net of Plan investment expense

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016. In addition, mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on projection Scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.

The long term expected rate of return on plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

NOTE 9 – PENSION PLAN (CONTINUED)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation (1)</u>	<u>Geometric Real Rate Of Return (2)</u>
U.S. Equities	Dow Jones U.S. Total Stock Mkt 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)	11.00%	4.55%
International Equities-Emerging	MSCI EM Standard (net) Index	8.00%	5.55%
Investment – Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P /LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FTSE EPRA/NAREIT Global Real Estate Index	2.00%	4.05%
Master Limited Partnerships	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%
Total		<u>100.00%</u>	

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

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

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

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

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

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 contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

NOTE 9 – PENSION PLAN (CONTINUED)

Changes in the District’s Net Pension Liability

Changes in the District’s net pension liability for the year ended December 31, 2017 were as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances, December 31, 2016	\$75,013,120	\$61,687,762	\$13,325,358
Changes for the year:			
Service cost	2,423,909	-	2,423,909
Interest on total pension liability (1)	6,096,354	-	6,096,354
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains/losses	278,233	-	278,233
Effect of assumptions changes or inputs	525,610	-	525,610
Refund of contributions	(183,105)	(183,105)	-
Benefit payments	(4,250,001)	(4,250,001)	-
Administrative expenses	-	(46,531)	46,531
Member contributions	-	1,098,013	(1,098,013)
Net investment income	-	8,993,684	(8,993,684)
Employer contributions	-	2,677,573	(2,677,573)
Other charges (3)	-	(9,250)	9,250
Net Changes	4,891,000	8,280,383	(3,389,383)
Balances, December 31, 2017	<u>\$79,904,120</u>	<u>\$69,968,145</u>	<u>\$9,935,975</u>

(6) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(7) No plan changes valued.

(8) Relates to allocation of system-wide items.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability calculated using the discount rate of 8.10%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate:

	1% Decrease in Discount Rate 7.10%	Current Discount Rate 8.10%	1% Increase in Discount Rate 9.10%
Total pension liability	\$89,463,199	\$79,904,120	\$71,811,577
Fiduciary net position	<u>69,968,145</u>	<u>69,968,145</u>	<u>69,968,145</u>
Net pension liability/(asset)	<u>\$19,495,054</u>	<u>\$9,935,975</u>	<u>\$1,843,432</u>

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

NOTE 9 – PENSION PLAN (CONTINUED)

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended September 30, 2018, the District recognized pension expense of \$3,167,323. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$197,039	\$247,568
Changes in assumptions	-	574,105
Net difference between projected and actual earnings	807,797	-
Contributions subsequent to the measurement date	2,154,255	-
Total	<u>\$3,159,091</u>	<u>\$821,673</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$2,154,255 will be recognized as a reduction of the net pension liability (or increase in the net pension asset) for the year ended September 30, 2019. Other amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending September 30:</u>	<u>Deferred Outflows</u>
2018	\$641,789
2019	508,846
2020	(528,738)
2021	(805,060)
Total	<u>\$(183,163)</u>

NOTE 10 – DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The group plan is basically available for all full-time employees on a strictly voluntary basis. No contributions are made by the County to this plan. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The plan assets are held in trust for the exclusive benefits of the participants and their beneficiaries. The County's deferred compensation plan is administered by a private corporation under contract with the County. The plan assets are not included in the financial statements of the County.

NOTE 11 – HEALTH CARE

The County maintains a self-insured health plan (the Plan) for all eligible employees and retirees. The County contributed approximately \$5.9 million to the Plan to subsidize employee premiums during the year ended September 30, 2018. Additionally, the County transferred \$1.3 million to the plan during 2018 in partial settlement of interfund loans from prior years. Employees are responsible for premiums for dependents. Health claim payments include the premiums for dependents' health insurance processed by a third party (Cigna Healthcare Insurance Company) acting on behalf of the County.

Claims incurred are subject to an annual specific deductible of \$150,000 and a maximum aggregate benefit of \$1,000,000. Employee health claims are self-insured by the County up to these annual limits and stop-loss benefits are provided by Cigna Healthcare Insurance Company.

At yearend, the County has recorded current health claim liabilities of \$479,021 in the internal service fund. These liabilities are based on requirements of GASB Statement No. 10, which required that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probably that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated.

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

NOTE 11 – HEALTH CARE (CONTINUED)

Changes in the balances of claims liabilities during the year ended September 30, 2018 are as follows:

Beginning Balance – 9/30/2017	\$520,506
Claims Incurred	5,475,201
Claims Paid	<u>(5,516,686)</u>
Ending Balance – 9/30/2018	<u>\$479,021</u>

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS

Plan Description

The County administers a single-employer defined benefit Other Post Employment Benefits (OPEB) plan, known as the County Health Insurance Benefits Program (the Program). The Program offers medical, dental, and vision insurance benefits to eligible retirees and their spouses as well as life insurance for retirees only. Employees who retire in accordance with the provisions of the TCDRS are covered as employees under the group health and related benefits program at the time of retirement, and are vested with the County are eligible to receive County health insurance benefits.

The employee's responsibility for the premium depends on whether they retired on or before December 31, 1996 or after as follows:

Retirement on or before December 31, 1996 –

The retiree pays the entire premium for retiree medical, prescription drug, dental, and vision coverage as well as coverage for eligible dependents. The County does not pay any portion of this premium.

Retirement on or after January 1, 1997 –

The County pays 100% of the premium for retiree medical, prescription drug, dental, vision, and life insurance coverage. Retirees must pay the entire premium for coverage of eligible dependents. Life insurance is not available for dependents of retirees. Dependent coverage ends upon the cessation of premium payments.

At September 30, 2018, the following participants were covered by the plan:

Active	296
Retired	115
Spouse	<u>9</u>
Total	<u>420</u>

Funding Policy

The County has elected to subsidize premiums for the plan and funding is provided on a pay-as-you-go basis.

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

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Assumptions

The County's Net OPEB Liability was measured as of September 30, 2018, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The trend assumption is used to project the growth of the expected claims over the lifetime of healthcare recipients.

Actuarial Assumptions

Actuarial Cost Method	Individual Entry Age Normal Cost Method-Level Percentage of Projected Salary
Salary Increases	3.50 percent
Inflation	3.00 percent
Real Rate of Return	1.06 percent
Healthcare Cost Trend Rates	Level 5.00 percent for medical and level 3.00 percent for dental.
Mortality	RPH-2014 Total Table with Projection MP-2018

Changes in the District's Net OPEB Liability

Changes in the District's net OPEB liability for the year ended September 30, 2018 were as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Total OPEB Liability October 1, 2017	\$23,469,438	-	\$23,469,438
Changes for the year:			
Service cost	1,337,234	-	1,337,234
Interest cost	988,038	-	988,038
Changes in Benefit Terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Other changes	-	-	-
Contributions-employer	-	-	-
Net investment income	-	-	-
Benefit payments	(941,534)	-	(941,534)
Administrative Expense	-	-	-
Net change in total OPEB liability	1,383,738	-	1,383,738
Total OPEB Liability September 30, 2018	\$24,853,176	-	\$24,853,176

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

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

Sensitivity of the Net OPEB Liability to Changes in the Trend and Discount Rate

The following presents the net OPEB liability of the County, as well as what the County's net OPEB liability would be if it were calculated using a healthcare cost trend rate of 5.00% as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower (4.00%) or 1 percentage point higher (6.00%) than the current rate:

	1% Decrease in Trend Rate 4.00%	Current Trend Rate 5.00%	1% Increase in Trend Rate 6.00%
Total OPEB liability	\$21,315,391	\$24,853,176	\$29,418,429

The following presents the net OPEB liability of the County, as well as what the Counties net OPEB liability would be if it were calculated using the discount rate of 4.06% as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower (3.06%) or 1 percentage point higher (5.06%) than the current rate:

	1% Decrease in Discount Rate 3.06%	Current Discount Rate 4.06%	1% Increase in Discount Rate 5.06%
Total OPEB liability	\$21,548,277	\$24,853,176	\$29,009,610

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

For the year ended September 30, 2018 the County recognized OPEB expense of \$2,352,272. At September 30, 2018, the County had no deferred outflows of resources or deferred inflows of resources related to OPEB.

NOTE 13 – RISK MANAGEMENT AND CONTINGENCIES

The County is exposed to various risks of losses related to torts; theft, damage, or destruction of assets; errors and omission; injuries to employees or others; and natural disasters. The County's primary risk management activity is to maintain various types of insurance coverage to cover any significant losses that might be incurred.

The County is contingently liable with respect to claims or litigation arising from the ordinary course of operations. The settlement of such claims would require budget appropriations of future revenues. County officials have asserted that they have no significant pending or threatened litigation, or claims against the County that would have a material adverse effect on the financial position of the County. Federal and State funds received during the current year and prior years through various grant programs are subject to audit by the applicable agencies. The County does not anticipate any substantial disallowance of project costs for any of the projects.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2017, the County adopted new accounting guidance under GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. In accordance with the statement, net OPEB liabilities are determined actuarially and are recorded as liabilities of the County. Changes in the OPEB liability are charged to benefit expense each year. Additionally, certain OPEB related amounts are recorded as deferred inflows or outflows. As a result, the County has recorded a reduction in net position of \$134,049 for the cumulative effect of the change in accounting principle which represents the difference in the OPEB liability as previously recorded and the actuarially calculated net OPEB liability under the new statement.

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

NOTE 15 – SUBSEQUENT EVENTS

Subsequent to September 30, 2018, the County placed \$2.99 million into an escrow account to provide funding for the retirement of the Refunding Bonds, Series 2010A. The escrow agent takes responsibility for payment of the future debt service and as a result, the bonds are considered defeased for the County financial reporting. The County utilized the unused proceeds from the 2008 debt issuance that remained in the Capital Projects Fund to fund the escrow account. The 2008 debt had previously been refunded by the issuance of the Series 2010A Bonds.

As a result, the future debt service obligations on remaining outstanding bonds are as follows:

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$1,145,000	\$122,949	\$1,267,949
2020	1,165,000	103,370	1,268,370
2021	1,190,000	83,448	1,273,448
2022	1,210,000	63,099	1,273,099
2023	1,230,000	42,408	1,272,408
2024	1,250,000	21,375	1,271,375
Total	<u>\$7,190,000</u>	<u>\$436,649</u>	<u>\$7,626,649</u>

Additionally, in March 2019, the County issued Tax Notes, Series 2019 of \$2.63 million that are secured by future ad valorem tax levies. The notes bear interest at 2.99% with final payment due August, 2025.

Future debt service obligations for the Tax Notes, Series 2019 are as follows:

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$275,000	\$27,305	\$302,305
2020	365,000	70,415	435,415
2021	375,000	59,501	434,501
2022	385,000	48,288	433,288
2023	400,000	36,777	436,777
2024-2025	830,000	37,375	867,375
Total	<u>\$2,630,000</u>	<u>\$279,661</u>	<u>\$2,909,661</u>

REQUIRED SUPPLEMENTARY INFORMATION

LIBERTY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL
AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES:				
Ad Valorem Taxes	\$24,183,020	\$24,183,020	\$24,540,224	\$357,204
Sales Tax	3,400,000	3,400,000	4,048,024	648,024
Other Taxes	43,750	43,750	62,235	18,485
Licenses and Permits	430,000	430,000	963,885	533,885
Fees, Fines and Forfeitures	2,265,000	2,265,000	2,888,420	623,420
Charges for Services	200,000	200,000	75,422	(124,578)
Intergovernmental Revenue	514,430	763,491	915,467	151,976
Investment Income	75,000	75,000	289,479	214,479
Other Revenues	643,000	1,622,432	638,552	(983,880)
TOTAL REVENUES	31,754,200	32,982,693	34,421,708	1,439,015
EXPENDITURES:				
General Government:				
Commissioners' Court	450,326	428,326	416,082	12,244
County Clerk	952,267	952,267	914,511	37,756
Veterans Services	178,840	174,686	169,836	4,850
General Administration	2,082,525	1,893,208	1,704,693	188,515
Building Maintenance	517,759	501,759	453,261	48,498
Employee Benefits	919,895	379,895	295,629	84,266
	5,101,612	4,330,141	3,954,012	376,129
Judicial:				
County Judge	545,570	542,026	539,410	2,616
Justice Courts	1,236,574	1,273,889	1,240,844	33,045
County Court at Law	672,410	702,910	695,741	7,169
District Clerk	763,746	743,746	713,508	30,238
District Judges	1,285,628	1,318,643	1,240,963	77,680
Court Costs	582,500	542,800	540,567	2,233
Bond Supervision	153,994	153,994	146,761	7,233
	5,240,422	5,278,008	5,117,794	160,214
Legal:				
County Attorney	928,473	916,973	864,262	52,711
District Attorney	1,469,881	1,480,881	1,455,760	25,121
	2,398,354	2,397,854	2,320,022	77,832
Financial:				
County Auditor	455,361	447,361	440,214	7,147
County Treasurer	328,351	334,451	331,337	3,114
Tax Assessor-Collector	881,386	886,092	877,521	8,571
Information Technology	387,000	453,375	444,550	8,825
Central Appraisal District	905,683	899,370	899,369	1
Purchasing	216,724	216,724	206,472	10,252
	3,174,505	3,237,373	3,199,463	37,910

(Continued)

LIBERTY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL
AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Public Safety:				
Sheriff	\$7,205,362	\$8,212,594	\$6,919,283	\$1,293,311
Juvenile Probation	339,191	351,967	493,258	(141,291)
Jail Operations	4,120,080	3,815,144	3,752,883	62,261
Constables	1,955,576	2,013,876	1,766,484	247,392
Fire Marshall	660,000	700,000	695,659	4,341
Emergency Management	292,514	241,014	232,958	8,056
	<u>14,572,723</u>	<u>15,334,595</u>	<u>13,860,525</u>	<u>1,474,070</u>
Health and Welfare:				
Public Welfare	624,000	619,000	604,792	14,208
Indigent Services	751,380	728,080	522,952	205,128
	<u>1,375,380</u>	<u>1,347,080</u>	<u>1,127,744</u>	<u>219,336</u>
Other:				
Engineering	504,847	436,847	351,430	85,417
Extension Services	238,047	241,572	230,083	11,489
Special Projects	467,658	449,658	89,240	360,418
Housing Authority	104,227	104,227	67,470	36,757
	<u>1,314,779</u>	<u>1,232,304</u>	<u>738,223</u>	<u>494,081</u>
Capital Outlay:	-	-	529,582	(529,582)
	<u>-</u>	<u>-</u>	<u>529,582</u>	<u>(529,582)</u>
Debt Service:	-	-	242,188	(242,188)
	<u>-</u>	<u>-</u>	<u>242,188</u>	<u>(242,188)</u>
TOTAL EXPENDITURES	<u>33,177,775</u>	<u>33,157,355</u>	<u>31,089,553</u>	<u>2,067,802</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,423,575)</u>	<u>(174,662)</u>	<u>3,332,155</u>	<u>3,506,817</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	53,517	116,532	53,494	(63,038)
Transfers Out	-	(1,311,928)	(1,311,928)	-
Capital Lease Issuance	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>53,517</u>	<u>(1,195,396)</u>	<u>(1,258,434)</u>	<u>(63,038)</u>
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES	<u>(1,370,058)</u>	<u>(1,370,058)</u>	<u>2,073,721</u>	<u>3,443,779</u>
Fund Balance, Beginning of Year	11,284,817	11,284,817	11,284,817	-
Fund Balance, End of Year	<u>\$9,914,759</u>	<u>\$9,914,759</u>	<u>\$13,358,538</u>	<u>\$3,443,779</u>

The accompanying Independent Auditor's Report should be read with this additional information.

LIBERTY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL
AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	Road and Bridge Fund			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Ad Valorem Taxes	\$5,949,986	\$5,949,986	\$5,994,991	\$45,005
Fees, Fines and Forfeitures	1,543,000	1,543,000	1,691,999	148,999
Intergovernmental Revenue	57,000	57,000	379,228	322,228
Other Revenues	112,500	357,386	180,819	(176,567)
TOTAL REVENUES	7,662,486	7,907,372	8,247,037	339,665
EXPENDITURES:				
Public Transportation:				
Precinct No. 1	1,815,500	1,920,301	1,744,979	175,322
Precinct No. 2	2,893,088	2,874,073	2,698,586	175,487
Precinct No. 3	1,381,890	2,175,141	1,955,920	219,221
Precinct No. 4	2,221,814	2,270,187	1,974,966	295,221
	8,312,292	9,239,702	8,374,451	865,251
Other:				
Solid Waste Services	531,600	531,600	390,210	141,390
Debt Service	-	-	213,030	(213,030)
TOTAL EXPENDITURES	8,843,892	9,771,302	8,977,691	793,611
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,181,406)	(1,863,930)	(730,654)	1,133,276
OTHER FINANCING SOURCES (USES):				
Transfers In (Out)	-	(47,880)	(7,936)	39,944
Capital Lease Issuance	-	730,404	730,403	(1)
TOTAL OTHER FINANCING SOURCES (USES)	-	682,524	722,467	39,943
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES	(1,181,406)	(1,181,406)	(8,187)	1,173,219
Fund Balance, Beginning of Year	2,305,803	2,305,803	2,305,803	-
Fund Balance, End of Year	\$1,124,397	\$1,124,397	\$2,297,616	\$1,173,219

The accompanying Independent Auditor's Report should be read with this additional information.

LIBERTY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL
AND MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	Debt Service Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Ad Valorem Taxes	\$1,631,906	\$1,631,906	\$1,691,090	\$59,184
Other Revenues	3,200	3,200	5,609	2,409
TOTAL REVENUES	1,635,106	1,635,106	1,696,699	61,593
EXPENDITURES:				
Other:				
Paying Agent	5,000	5,000	650	4,350
	5,000	5,000	650	4,350
Debt Service:				
Principal	1,360,000	1,360,000	1,360,000	-
Interest	269,987	269,987	270,137	(150)
	1,629,987	1,629,987	1,630,137	(150)
TOTAL EXPENDITURES	1,634,987	1,634,987	1,630,787	4,200
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	119	119	65,912	65,793
Fund Balance, Beginning of Year	392,434	392,434	392,434	-
Fund Balance, End of Year	\$392,553	\$392,553	\$458,346	\$65,793

The accompanying Independent Auditor's Report should be read with this additional information.

LIBERTY COUNTY, TEXAS

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2018**

	Year Ended December 31			
	2017	2016	2015	2014
Total Pension Liability				
Service Cost	\$2,423,909	\$2,369,111	\$2,046,096	\$2,003,568
Interest (on the Total Pension Liability)	6,096,354	5,685,263	5,447,108	5,155,196
Effect of Plan Changes	-	-	(338,793)	-
Effect of Assumption Changes or Inputs	525,610	-	719,589	-
Effect of Economic/Demographics (Gains) or Losses	278,233	77,788	(788,157)	63,539
Benefit Payments, Including Refunds of Participant Contributions	(4,433,106)	(4,210,002)	(4,028,204)	(3,631,500)
Net Change in Total Pension Liability	\$4,891,000	3,922,160	3,057,639	3,590,803
Total Pension Liability – Beginning	75,013,120	71,090,960	68,033,321	64,442,518
Total Pension Liability – Ending (a)	\$79,904,120	\$75,013,120	\$71,090,960	\$68,033,321
Plan Fiduciary Net Position				
Contributions – Employer	\$2,677,573	\$2,466,354	\$2,307,041	\$2,234,405
Contributions – Members	1,098,013	1,020,360	973,729	913,602
Investment Income net of Investment Expenses	8,993,684	4,305,975	(278,020)	3,810,026
Benefit Payments, Including Refunds of Participant Contributions	(4,433,106)	(4,210,082)	(4,028,204)	(3,631,500)
Administrative Expense	(46,531)	(46,745)	(42,246)	(44,404)
Other	(9,250)	(74,190)	24,553	(49,784)
Net Change in Plan Fiduciary Net Position	8,280,383	3,461,702	(1,043,147)	3,232,345
Plan Fiduciary Net Position – Beginning	61,687,762	58,226,060	59,269,207	56,036,862
Plan Fiduciary Net Position – Ending (b)	\$69,968,145	\$61,687,762	\$58,226,060	\$59,269,207
Net Pension Liability – Ending (a) – (b)	\$9,935,975	\$13,325,358	\$12,864,900	\$8,764,114
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.57%	82.24%	81.90%	87.12%
Covered Employee Payroll	\$15,685,907	\$14,576,565	\$13,748,824	\$13,051,454
Net Pension Liability as a Percentage of Covered Employee Payroll	63.34%	91.42%	93.57%	67.15%

Notes to schedule:

- 1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

The accompanying Independent Auditor's Report should be read with this additional information.

LIBERTY COUNTY, TEXAS
SCHEDULE OF EMPLOYER CONTRIBUTIONS -
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
YEAR ENDED SEPTEMBER 30, 2018

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>
Actuarially Determined Contribution	\$2,870,173	\$2,611,083	\$2,443,426	\$2,261,985
Contributions in Relation to the Actuarially Determined Contribution	<u>2,870,173</u>	<u>2,611,083</u>	<u>2,443,426</u>	<u>2,261,985</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered Employee Payroll	<u>\$16,553,550</u>	<u>\$15,330,050</u>	<u>\$14,469,792</u>	<u>\$13,411,424</u>
Contributions as a Percentage of Covered Employee Payroll	<u>17.33%</u>	<u>17.03%</u>	<u>16.89%</u>	<u>16.87%</u>

Notes to Schedule of Contributions

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	12.8 Years (based on contribution rate calculated in 12/31/17 valuation)
Asset Valuation Method	5 Year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of 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 for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 ultimate scale after 2014.
Changes in Assumptions and Methods Reflected	2015: New inflation mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected	2015: No changes in plan provisions were reflected in the schedule 2016: No changes in plan provisions were reflected in the schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017

Other Information:

Notes Only changes that affect the benefit amount and that are effective 2015 and later are shown in the notes to schedule.

LIBERTY COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS –
POST EMPLOYMENT HEALTHCARE BENEFITS
YEAR ENDED SEPTEMBER 30, 2018

	Year Ended September 30
	2018
Total OPEB Liability	
Service Cost	\$1,337,234
Interest Cost	988,038
Changes of Benefit Terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Other Changes	-
Contributions-employer	-
Net investment income	-
Benefit Payments	(941,534)
Administrative Expense	-
Net Change in Total OPEB Liability	<u>\$1,383,738</u>
Total OPEB Liability – Beginning	<u>23,469,438</u>
Total OPEB Liability – Ending (a)	<u>\$24,853,176</u>
 Plan Fiduciary Net Position	
Contributions – Employer	-
Contributions – Members	-
Investment Income net of Investment Expenses	-
Benefit Payments, Including Refunds of Participant Contributions	-
Administrative Expense	-
Other	-
Net Change in Plan Fiduciary Net Position	<u>-</u>
Plan Fiduciary Net Position – Beginning	<u>-</u>
Plan Fiduciary Net Position – Ending (b)	<u>-</u>
 Net OPEB Liability – Ending (a) – (b)	<u>\$24,853,176</u>
 Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	<u>0.00%</u>
 Covered Employee Payroll	<u>\$10,732,647</u>
 Net OPEB Liability as a Percentage of Covered Employee Payroll	<u>231.57%</u>

Notes to schedule:

- 1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

The accompanying Independent Auditor's Report should be read with this additional information.

LIBERTY COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT HEALTHCARE BENEFITS
YEAR ENDED SEPTEMBER 30, 2018

Actuarial Valuation Date	Actuarial Value of Assets a	Actuarial Accrued Liability (AAL) Entry Age b	Unfunded AAL (UAAL) (b-a)	Funded Ratio a/b	Annual Covered Payroll C	UAAL as a Percentage of Covered Payroll [(b-a)/c]
9/30/2018	\$ -	\$24,853,176	\$24,853,176	0%	\$10,732,647	232%

The accompanying Independent Auditor's Report should be read with this additional information.

COMBINING STATEMENTS AND SCHEDULES

LIBERTY COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTIONS
SEPTEMBER 30, 2018

SPECIAL REVENUE FUNDS

District Attorney Fund – The District Attorney Fund accounts for revenues received from the State of Texas and fees collected in connection with processing checks issued or passed in violation of the Texas Penal Code. Fees deposited in this fund are used to defray expenses of the District attorney's office.

District Attorney Forfeiture Fund – The District Attorney Forfeiture Fund accounts for forfeitures from drug related cases for use by the District Attorney's office.

Child Crimes/Family Violence Fund - The Child Crimes/Family Violence Fund accounts for revenues received from the court fees used for prevention of child crimes and family violence.

Victims Assistance Coordinator Fund – The Victims Assistance Coordinator Fund accounts for revenue received from the State used for salaries and other costs associated with providing assistance to victims of crime.

Land Acquisition Fund – The Land Acquisition Fund accounts for special vehicle registration fees designated for the acquisition of right-of-way for road expansion and for funding of other road and bridge costs.

Election Service Contract Fund – The Elections Service Contract Fund accounts for revenues related to county elections.

County Clerk Records Management Fund – The County Clerk Records Management fund accounts for revenues received from a special records management and preservation fee designated for records management and preservation services performed by the County Clerk.

District Clerk TDCJ Fund – The District Clerk TDCJ Fund accounts for revenues received from Texas Department of Criminal Justice (TDCJ) designated for the use of a District clerk in a county in which a state prison facility is located.

Law Library Fund – The Law Library Fund accounts for the operation of a law library for use by members of the Texas Bar Association. Financing is provided from fees assessed in each civil case filed in County and District Courts.

JP Technology Fund – The JP Technology Fund accounts for technology fees collected as a cost of court from defendants convicted of misdemeanor offenses. The fund may be used only to finance the purchase of technological enhancements and is administered by the Commissioners' Court.

County and District Court Technology Fund – The County and District Court Technology Fund accounts for technology fees collected as a cost of court from defendants. The fund may be used only to finance the purchase of technological enhancements.

County Record Preservation – The County Record Preservation Fund is used to account for preservation services provided by the District Clerk.

County Attorney Pre-trial Diversion Fund – The County Attorney Pre-trial Diversion Fund accounts for fees collected for the pre-trial diversion program of the County Attorney's office.

District Attorney Pre-trial Diversion Fund – The District Attorney Pre-trial Diversion Fund accounts for fees collected for the pre-trial diversion program of the District Attorney's office.

LIBERTY COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTIONS
SEPTEMBER 30, 2018

SPECIAL REVENUE FUNDS (Continued)

County Attorney Check Collection Fund – The County Attorney Check Collection Fund accounts for fees collected in connection with processing checks issued or passed in violation of the Texas Penal Code. Fees deposited in this fund are used to defray expense of the County Attorney's office.

District Clerk Child Support Fund – The District Clerk child Support Fund accounts for reimbursements received from the Office of the Attorney General for processing child support payments sent to the County as part of the Cooperative Agreement for Title IV, Part D of the Federal Social Security Act (IV-D) child support enforcement program. The purpose of this program is to provide the County child support register with a mechanism for supporting and improving the IV_D child support case services provided by the County.

Courthouse Security Fund – The Courthouse Security Fund accounts for court filing fees designated for security services for buildings housing a District or County court.

District Clerk Records Management Fund – The District Clerk Records Management Fund accounts for revenues received from a special records management and preservation fee designated for records management and preservation services performed by the District Clerk.

Commissioners' Court Records Management Fund – The Commissioners' Court Records Management Fund accounts for revenues received from a special records management and preservation fee designated for records management and preservation services performed by the Commissioners' Court.

Constables Forfeitures Fund – The Constables Forfeitures Fund accounts for forfeitures from drug related cases. Funds are restricted for law enforcement purposes.

Sheriff's Grants Fund – The Sheriff's Grants Fund accounts for grant revenues received from the Texas Department of Public Safety.

DARE Fund – The Dare Fund accounts for revenues received from the surrounding community to support work with children to increase drug awareness and resistance. Funds are restricted for this purpose.

District Attorney Federal Forfeiture Fund – The District Attorney Federal Forfeiture Fund accounts for federally forfeited property received from the U.S. Department of Justice.

Commissary Fund – The Commissary Fund accounts for revenues received from commissary activities in the County jail.

CDBG Disaster Recovery Fund – The CDBG Disaster Recovery fund accounts for grant revenues received from Texas General Land Office under the Community Development Block Grant Disaster Recovery Program Round 2.2 for disaster recovery relief from Hurricane Ike.

CDBG (GLO #12-219-000-5519) - This CDBG Fund accounts for grant revenues received from Texas General Land Office under the Community Development Block Grant Program for disaster recovery from Hurricane Ike for the benefit of unincorporated areas within the County.

CDBG (GLO #13-307-000-7582) - This CDBG Fund accounts for grant revenues received from Texas General Land Office under the Community Development Block Grant Disaster Recovery Program for Non-rental Housing Projects for areas affected by Hurricane Ike.

LIBERTY COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUNDS DESCRIPTIONS
SEPTEMBER 30, 2018

SPECIAL REVENUE FUNDS (Continued)

CDBG (GLO #13-308-000-7583) - This CDBG Fund accounts for grant revenues received from Texas General Land Office under the Community Development Block Grant Program for disaster recovery from Hurricane Harvey for the benefit of unincorporated areas within the County.

FEMA Grant Fund – The FEMA Grant Fund accounts for revenues received from the Federal Emergency Management Agency grant program.

DRS TDRA Grant Fund (GLO# 11-316-000-5075) – The DRS TDRA Grant Fund accounts for grant revenues received from the Texas General Land Office for disaster recovery for benefit of unincorporated areas within the County.

County Sheriff Forfeitures Fund – The County Sheriff Forfeitures Fund accounts for funds forfeited from funds seized in drug arrests. The funds are restricted for law enforcement purposes.

County Sheriff Federal Forfeitures Fund – The County Sheriff Federal Forfeitures Fund accounts for federally forfeitures property received from the U.S. Department of Justice.

Constables Precincts 2 and 4 Forfeitures Funds – The Constables Forfeitures Fund accounts for forfeitures from drug related cases. Funds are restricted for law enforcement purposes.

Juvenile Probation Fund – The Juvenile Probation Fund accounts for revenues received from the Texas Juvenile Probation Commission under an agreement to provide juvenile offenders with a program of rehabilitation. Funds are restricted for this purpose.

LIBERTY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Special Revenue Funds			
	District Attorney	District Attorney Forfeiture Fund	Child Crimes/ Family Violence Fund	Victims Assistance Coordinator
<u>ASSETS</u>				
Cash & Cash Equivalents	\$32,283	\$824,350	\$1,220	\$1
Receivables, net	-	-	-	-
Due from Other Governments	-	-	-	11,096
Due from Others	-	362	-	-
Due from Other Funds	-	-	-	-
TOTAL ASSETS	32,283	824,712	1,220	11,097
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$32,283	\$824,712	\$1,220	\$11,097
<u>LIABILITIES</u>				
Accounts Payable and Accrued Liabilities	-	\$5,579	-	-
Due to Other Governments	-	-	-	-
Due to Others	\$3,247	-	-	-
Due to Other Funds	-	-	-	\$11,097
TOTAL LIABILITIES	3,247	5,579	-	11,097
<u>DEFERRED INFLOWS OF RESOURCES</u>				
	-	-	-	-
<u>FUND BALANCES</u>				
Restricted for:				
Community Development	-	-	-	-
Public Safety	-	-	-	-
Judicial	-	-	-	-
Legal	29,036	819,133	\$1,220	-
Records Management	-	-	-	-
TOTAL FUND BALANCES	29,036	819,133	1,220	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$32,283	\$824,712	\$1,220	\$11,097

The accompanying Independent Auditor's Report should be read with this additional information.

Special Revenue Funds

Land Acquisition	Elections Service Contract	County Clerk Records Management	District Clerk TDCJ	Law Library	JP Technology
\$657,974	\$26,594	\$760,527	\$12,976	\$49,768	\$133,242
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>657,974</u>	<u>26,594</u>	<u>760,527</u>	<u>12,976</u>	<u>49,768</u>	<u>133,242</u>
-	-	-	-	-	-
<u>\$657,974</u>	<u>\$26,594</u>	<u>\$760,527</u>	<u>\$12,976</u>	<u>\$49,768</u>	<u>\$133,242</u>
\$28,398	-	-	-	\$1,243	\$836
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>28,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,243</u>	<u>836</u>
-	-	-	-	-	-
629,576	-	-	-	-	-
-	-	-	-	-	-
-	-	-	\$12,976	-	132,406
-	-	-	-	48,525	-
-	\$26,594	\$760,527	-	-	-
<u>629,576</u>	<u>26,594</u>	<u>760,527</u>	<u>12,976</u>	<u>48,525</u>	<u>132,406</u>
<u>\$657,974</u>	<u>\$26,594</u>	<u>\$760,527</u>	<u>\$12,976</u>	<u>\$49,768</u>	<u>\$133,242</u>

LIBERTY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Special Revenue Funds			
	County & District Court Technology	County Record Preservation	County Attorney Pre-trial Diversion	District Attorney Pre-trial Diversion
<u>ASSETS</u>				
Cash & Cash Equivalents	\$18,255	\$108,631	\$248,509	\$43,517
Receivables, net	-	-	-	-
Due from Other Governments	-	-	-	-
Due from Others	-	-	-	-
Due from Other Funds	-	-	-	-
TOTAL ASSETS	18,255	108,631	248,509	43,517
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	18,255	108,631	248,509	43,517
<u>LIABILITIES</u>				
Accounts Payable and Accrued Liabilities	\$498	-	-	-
Due to Other Governments	-	-	-	-
Due to Others	-	-	-	-
Due to Other Funds	-	-	-	-
TOTAL LIABILITIES	498	-	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>				
	-	-	-	-
<u>FUND BALANCES</u>				
Restricted for:				
Community Development	-	-	-	-
Public Safety	-	-	-	-
Judicial	17,757	-	-	-
Legal	-	-	\$248,509	\$43,517
Records Management	-	\$108,631	-	-
TOTAL FUND BALANCES	17,757	108,631	248,509	43,517
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	18,255	108,631	248,509	43,517

The accompanying Independent Auditor's Report should be read with this additional information.

Special Revenue Funds

County Attorney Check Collection	District Clerk Child Support	Courthouse Security	District Clerk Records Management	Commissioners' Court Records Management	Constables Forfeitures Fund
\$22,690	-	\$71,252	\$58,216	\$206,616	\$37,258
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>22,690</u>	<u>-</u>	<u>71,252</u>	<u>58,216</u>	<u>206,616</u>	<u>37,258</u>
-	-	-	-	-	-
<u>\$22,690</u>	<u>-</u>	<u>\$71,252</u>	<u>\$58,216</u>	<u>\$206,616</u>	<u>\$37,258</u>
\$4,344	-	-	-	\$5,000	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	\$71,252	-	-	\$37,258
-	-	-	-	-	-
18,346	-	-	-	-	-
-	-	-	\$58,216	201,616	-
<u>18,346</u>	<u>-</u>	<u>71,252</u>	<u>58,216</u>	<u>201,616</u>	<u>37,258</u>
<u>\$22,690</u>	<u>\$-</u>	<u>\$71,252</u>	<u>\$58,216</u>	<u>\$206,616</u>	<u>\$37,258</u>

LIBERTY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Special Revenue Funds			
	Sheriff's Grants	DARE	District Attorney Federal Forfeiture	Commissary
<u>ASSETS</u>				
Cash & Cash Equivalents	-	\$3,632	\$17,230	\$82,322
Receivables, net	-	-	-	-
Due from Other Governments	-	-	-	-
Due from Others	-	-	-	-
Due from Other Funds	-	-	-	-
TOTAL ASSETS	-	3,632	17,230	82,322
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	-	\$3,632	\$17,230	\$82,322
<u>LIABILITIES</u>				
Accounts Payable and Accrued Liabilities	-	\$1,072	-	-
Due to Other Governments	-	-	-	-
Due to Others	-	-	-	-
Due to Other Funds	-	-	-	\$8,964
TOTAL LIABILITIES	-	1,072	-	8,964
<u>DEFERRED INFLOWS OF RESOURCES</u>				
	-	-	-	-
<u>FUND BALANCES</u>				
Restricted for:				
Community Development	-	-	-	-
Public Safety	-	2,560	-	73,358
Judicial	-	-	\$17,230	-
Legal	-	-	-	-
Records Management	-	-	-	-
TOTAL FUND BALANCES	-	2,560	17,230	73,358
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$-	\$3,632	\$17,230	\$82,322

The accompanying Independent Auditor's Report should be read with this additional information.

Special Revenue Funds

CDBG Disaster Recovery	CDBG (GLO# 12-219- 000-5519)	CDBG (GLO# 13-307- 000-7582)	CDBG (GLO#13-308- 000-7583)	FEMA Grant	DRS TDRA Grant
\$1	-	\$1,786	\$1	\$689,165	\$14,124
-	-	-	-	-	-
342,889	-	1,666	120	-	-
-	-	17,225	-	-	-
-	-	-	-	-	-
<u>342,890</u>	<u>-</u>	<u>20,677</u>	<u>121</u>	<u>689,165</u>	<u>14,124</u>
-	-	-	-	-	-
<u>\$342,890</u>	<u>-</u>	<u>\$20,677</u>	<u>\$121</u>	<u>\$689,165</u>	<u>\$14,124</u>
\$326,292	-	\$50	-	-	\$14,124
-	-	-	-	\$689,165	-
-	-	20,627	-	-	-
16,598	-	-	\$121	-	-
<u>342,890</u>	<u>-</u>	<u>20,677</u>	<u>121</u>	<u>689,165</u>	<u>14,124</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$342,890</u>	<u>\$-</u>	<u>\$20,677</u>	<u>\$121</u>	<u>\$689,165</u>	<u>\$14,124</u>

LIBERTY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	Special Revenue Funds			
	County Sheriff Forfeitures Fund	County Sheriff Federal Forfeiture Fund	Constable Precinct 2 Forfeiture Fund	Constable Precinct 4 Forfeiture Fund
<u>ASSETS</u>				
Cash & Cash Equivalents	\$464,076	\$30,727	\$3,056	\$5,397
Receivables, net	-	-	-	-
Due from Other Governments	-	-	-	-
Due from Others	-	13	-	-
Due from Other Funds	-	-	-	-
TOTAL ASSETS	464,076	30,740	3,056	5,397
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
	-	-	-	-
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	\$464,076	\$30,740	\$3,056	\$5,397
<u>LIABILITIES</u>				
Accounts Payable and Accrued Liabilities	\$11,659	\$30,740	-	-
Due to Other Governments	-	-	-	-
Due to Others	-	-	-	-
Due to Other Funds	-	-	-	-
TOTAL LIABILITIES	11,659	30,740	-	-
<u>DEFERRED INFLOWS OF RESOURCES</u>				
	-	-	-	-
<u>FUND BALANCES</u>				
Restricted for:				
Community Development	-	-	-	-
Public Safety	452,417	-	\$3,056	\$5,397
Judicial	-	-	-	-
Legal	-	-	-	-
Records Management	-	-	-	-
TOTAL FUND BALANCES	452,417	-	3,056	5,397
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$464,076	\$30,740	\$3,056	\$5,397

The accompanying Independent Auditor's Report should be read with this additional information.

Special Revenue Funds

Juvenile Probation	Total Nonmajor Governmental Funds
\$1	\$4,625,397
-	-
-	355,771
36,968	54,568
-	-
36,969	5,035,736
-	-
\$36,969	\$5,035,736
\$1,712	\$431,547
-	689,165
-	23,874
\$31,447	68,227
33,159	1,212,813
-	-
-	629,576
3,810	649,108
-	180,369
-	1,208,286
-	1,155,584
3,810	3,822,923
\$36,969	\$5,035,736

LIBERTY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds			
	District Attorney	District Attorney Forfeiture Fund	Child Crimes/ Family Violence Fund	Victims Assistance Coordinator
REVENUES:				
Fees, Fines and Forfeitures	\$69,999	\$401	\$1,220	-
Charges for Services	-	-	-	-
Intergovernmental	10,367	-	-	\$47,297
Investment Income	-	3,111	-	-
Other Revenues & Receipts	-	-	-	-
TOTAL REVENUES	<u>80,366</u>	<u>3,512</u>	<u>1,220</u>	<u>47,297</u>
EXPENDITURES:				
General Government	-	-	-	-
Judicial	-	-	-	-
Legal	81,202	46,764	-	-
Public Safety	-	-	-	59,805
Public Transportation	-	-	-	-
Community Development	-	-	-	-
Capital Expenditures	-	49,656	-	-
TOTAL EXPENDITURES	<u>81,202</u>	<u>96,420</u>	<u>-</u>	<u>59,805</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(836)</u>	<u>(92,908)</u>	<u>1,220</u>	<u>(12,508)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	-	12,508
Operating Transfers Out	-	(12,508)	-	-
Capital Lease Issuance	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(12,508)</u>	<u>-</u>	<u>12,508</u>
Net Change in Fund Balance	(836)	(105,416)	1,220	-
Fund Balances, Beginning of Year	29,872	924,549	-	-
Fund Balances, End of Year	<u>\$29,036</u>	<u>\$819,133</u>	<u>\$1,220</u>	<u>\$-</u>

The accompanying Independent Auditor's Report should be read with this additional information.

Special Revenue Funds

Land Acquisition	Elections Service Contract	County Clerk Records Management	District Clerk TDCJ	Law Library	JP Technology
\$377,078	-	\$277,294	-	\$46,420	\$28,108
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>377,078</u>	<u>-</u>	<u>277,294</u>	<u>-</u>	<u>46,420</u>	<u>28,108</u>
-	-	91,261	-	-	-
-	-	-	\$3,237	12,518	31,590
-	-	-	-	-	-
2,500	-	-	-	-	-
947,425	-	-	-	-	-
<u>949,925</u>	<u>-</u>	<u>91,261</u>	<u>3,237</u>	<u>12,518</u>	<u>31,590</u>
<u>(572,847)</u>	<u>-</u>	<u>186,033</u>	<u>(3,237)</u>	<u>33,902</u>	<u>(3,482)</u>
-	-	-	-	-	-
(4,635)	-	-	-	(1,407)	-
-	-	-	-	-	-
<u>(4,635)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,407)</u>	<u>-</u>
(577,482)	-	186,033	(3,237)	32,495	(3,482)
1,207,058	\$26,594	574,494	16,213	16,030	135,888
<u>\$629,576</u>	<u>\$26,594</u>	<u>\$760,527</u>	<u>\$12,976</u>	<u>\$48,525</u>	<u>\$132,406</u>

LIBERTY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds			
	County & District Court Technology	County Record Preservation	County Attorney Pre-trial Diversion	District Attorney Pre-trial Diversion
REVENUES:				
Fees, Fines and Forfeitures	\$1,969	\$16,310	\$44,850	\$4,581
Charges for Services	-	-	-	-
Intergovernmental	-	-	-	-
Investment Income	-	-	-	-
Other Revenues & Receipts	-	-	-	-
TOTAL REVENUES	<u>1,969</u>	<u>16,310</u>	<u>44,850</u>	<u>4,581</u>
EXPENDITURES:				
General Government	-	-	-	-
Judicial	498	-	-	-
Legal	-	-	500	-
Public Safety	-	-	-	-
Public Transportation	-	-	-	-
Community Development	-	-	-	-
Capital Expenditures	-	-	-	-
TOTAL EXPENDITURES	<u>498</u>	<u>-</u>	<u>500</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,471</u>	<u>16,310</u>	<u>44,350</u>	<u>4,581</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	-	38,936
Operating Transfers Out	-	-	-	-
Capital Lease Issuance	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,936</u>
Net Change in Fund Balance	1,471	16,310	44,350	43,517
Fund Balances, Beginning of Year	16,286	92,321	204,159	-
Fund Balances, End of Year	<u>\$17,757</u>	<u>\$ 108,631</u>	<u>\$248,509</u>	<u>\$43,517</u>

The accompanying Independent Auditor's Report should be read with this additional information.

Special Revenue Funds

County Attorney Check Collection	District Clerk Child Support	Courthouse Security	District Clerk Records Management	Commissioners' Court Records Management	Constables Forfeitures Fund
\$2,801	-	\$68,531	\$16,621	\$21,938	-
-	-	-	-	-	-
-	\$594	-	-	-	-
-	-	-	-	-	-
2,801	594	68,531	16,621	21,938	-
-	-	-	-	18,204	-
-	4,163	63,648	10,631	-	-
15,949	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	5,000	-
15,949	4,163	63,648	10,631	23,204	-
(13,148)	(3,569)	4,883	5,990	(1,266)	-
-	-	-	-	-	-
-	(15,995)	-	-	-	-
-	-	-	-	-	-
-	(15,995)	-	-	-	-
(13,148)	(19,564)	4,883	5,990	(1,266)	-
31,494	19,564	66,369	52,226	202,882	\$37,258
\$18,346	\$-	\$71,252	\$58,216	\$201,616	\$37,258

LIBERTY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds			
	Sheriff's Grants	DARE	District Attorney Federal Forfeiture	Commissary
REVENUES:				
Fees, Fines and Forfeitures	-	-	-	-
Charges for Services	-	-	-	\$73,727
Intergovernmental	-	-	-	-
Investment Income	-	-	\$1,471	282
Other Revenues & Receipts	-	\$2,886	-	-
TOTAL REVENUES	-	2,886	1,471	74,009
EXPENDITURES:				
General Government	-	-	-	-
Judicial	-	-	10,625	-
Legal	-	-	-	-
Public Safety	-	6,040	-	59,742
Public Transportation	-	-	-	-
Community Development	-	-	-	-
Capital Expenditures	-	-	-	-
TOTAL EXPENDITURES	-	6,040	10,625	59,742
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(3,154)	(9,154)	14,267
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	\$(23,521)	-	-	-
Capital Lease Issuance	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(23,521)	-	-	-
Net Change in Fund Balance	(23,521)	(3,154)	(9,154)	14,267
Fund Balances, Beginning of Year	23,521	5,714	26,384	59,091
Fund Balances, End of Year	\$-	\$2,560	\$17,230	\$73,358

The accompanying Independent Auditor's Report should be read with this additional information.

Special Revenue Funds

CDBG Disaster Recovery	CDBG (GLO# 12-219- 000-5519)	CDBG (GLO# 13-307- 000-7582)	CDBG (GLO# 13-308- 000-7583)	FEMA Grant	DRS TDRA Grant
-	-	-	-	-	-
-	-	-	-	-	-
\$437,236	\$351,097	-	\$120	\$470,284	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>437,236</u>	<u>351,097</u>	<u>-</u>	<u>120</u>	<u>470,284</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	470,284	-
437,236	351,097	-	120	-	-
-	-	-	-	-	-
<u>437,236</u>	<u>351,097</u>	<u>-</u>	<u>120</u>	<u>470,284</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

LIBERTY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds			
	County Sheriff Forfeitures Fund	County Sheriff Federal Forfeiture Fund	Constable Precinct 2 Forfeiture Fund	Constable Precinct 4 Forfeiture Fund
REVENUES:				
Fees, Fines and Forfeitures	\$170	-	-	-
Charges for Services	-	-	-	-
Intergovernmental	-	\$30,727	-	-
Investment Income	-	13	\$11	\$27
Other Revenues & Receipts	-	-	-	-
TOTAL REVENUES	<u>170</u>	<u>30,740</u>	<u>11</u>	<u>27</u>
EXPENDITURES:				
General Government	-	-	-	-
Judicial	-	-	-	-
Legal	-	-	-	-
Public Safety	156,397	-	-	4,709
Public Transportation	-	-	-	-
Community Development	-	-	-	-
Capital Expenditures	28,459	30,740	-	-
TOTAL EXPENDITURES	<u>184,856</u>	<u>30,740</u>	<u>-</u>	<u>4,709</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(184,686)</u>	<u>-</u>	<u>11</u>	<u>(4,682)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	-	-	-	-
Operating Transfers Out	-	-	-	-
Capital Lease Issuance	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(184,686)	-	11	(4,682)
Fund Balances, Beginning of Year	637,103	-	3,045	10,079
Fund Balances, End of Year	<u>\$452,417</u>	<u>\$-</u>	<u>\$3,056</u>	<u>\$5,397</u>

The accompanying Independent Auditor's Report should be read with this additional information.

Special Revenue Funds

Juvenile Probation	Total Nonmajor Governmental Funds
-	\$978,291
-	73,727
\$392,371	1,740,093
-	4,915
-	2,886
<u>392,371</u>	<u>2,799,912</u>
-	109,465
-	136,910
-	144,415
396,411	683,104
-	472,784
-	788,453
-	1,061,280
<u>396,411</u>	<u>3,396,411</u>
<u>(4,040)</u>	<u>(596,499)</u>
-	51,444
-	(58,066)
-	-
<u>-</u>	<u>(6,622)</u>
(4,040)	(603,121)
7,850	4,426,044
<u>\$3,810</u>	<u>\$3,822,923</u>

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LIBERTY COUNTY, TEXAS
FIDUCIARY FUNDS DESCRIPTIONS
SEPTEMBER 30, 2018

AGENCY FUNDS

Inmate Release Fund - The Inmate Release Fund accounts for funds received by or for the benefit of inmates. Funds are used for the inmates' commissary and medical needs.

County Officials Escrow Fund – The County Officials Escrow Fund accounts for assets held by the County as agent for other governments, courts or individuals.

State Court Costs Fund – The State Court costs Fund accounts for assets held by the County on behalf of other governments.

Old River Drainage District No. 1 Fund – The Old River Drainage District No. 1 Fund accounts for funds held on behalf of Old River Drainage District No. 1.

CS & CD Fund – The CS & CD Fund accounts for funds held on behalf of the Liberty-Chambers Counties Community Supervision and Corrections Department (Adult Probation Programs).

LCSO Fine & Bond Account Fund – The LCSO Fine & Bond Account Fund accounts for funds received from inmates for fines and bonds.

County Sheriff Seizure Fund – The County Sheriff Seizure Fund accounts for funds seized in drug arrests until said funds are determined to be forfeited or returned to the rightful owner.

LIBERTY COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2018

	Agency Funds			
	Inmate Release	County Officials Escrow	State Court Costs	Old River Drainage District
<u>ASSETS</u>				
Cash & Cash Equivalents	\$94,714	\$7,789,105	\$217,006	\$948,724
Due from Others	-	-	-	934
TOTAL ASSETS	<u>\$94,714</u>	<u>\$7,789,105</u>	<u>\$217,006</u>	<u>\$949,658</u>
<u>LIABILITIES</u>				
Accounts Payable and Accrued Liabilities	-	-	\$2,636	\$2,939
Due to Other Governments	-	-	214,370	-
Due to Others	\$94,714	\$7,789,105	-	946,719
TOTAL LIABILITIES	<u>\$94,714</u>	<u>\$7,789,105</u>	<u>\$217,006</u>	<u>\$949,658</u>

Agency Funds

CS & CD	LCSO Fine & Bond Account	County Sheriff Seizure Fund	Total Agency Funds
\$510,954	\$1,605	\$217,595	\$9,779,703
48,698	-	-	49,632
<u>\$559,652</u>	<u>\$1,605</u>	<u>\$217,595</u>	<u>\$9,829,335</u>
\$126	-	\$5,133	\$10,834
-	\$1,605	-	215,975
559,526	-	212,462	9,602,526
<u>\$559,652</u>	<u>\$1,605</u>	<u>\$217,595</u>	<u>\$9,829,335</u>

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**SINGLE AUDIT REPORTS
LIBERTY COUNTY, TEXAS
YEAR ENDED SEPTEMBER 30, 2018**

**LIBERTY COUNTY, TEXAS
SINGLE AUDIT REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

TABLE OF CONTENTS

	<i>PAGE</i>
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by the Uniform Compliance	3
Schedule of Findings and Questioned Costs	5
Summary Schedule of Prior Audit Findings	6
Corrective Action Plan	7
Schedule of Expenditures of Federal Awards	8
Notes to Schedule of Expenditures of Federal Awards	9

SWAIM, BRENTS & ASSOCIATES, P.C.
2804 Jefferson Drive
Liberty, Texas 77575
(936) 336-7205

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty 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 and have issued our report thereon dated June 28, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's 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.

Swaim, Brents & Associates, P.C.

Swaim, Brents & Associates, P.C.

Liberty, Texas

June 28, 2019

SWAIM, BRENTS & ASSOCIATES, P.C.
2804 Jefferson Drive
Liberty, Texas 77575
(936) 336-7205

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

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

Report on Compliance for Each Major Federal Program

We have audited Liberty County, Texas' (the County's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

The County's management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Liberty County, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 28, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Swaim, Brents & Associates, P.C.

Swaim, Brents & Associates, P.C.

Liberty, Texas

June 28, 2019

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

Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? Yes X No

Identification of major programs:

CFDA Number(s)

14.228

Community Development Block Grant

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

Auditee qualified as low-risk auditee? Yes X No

A. Financial Statement Findings
 NONE

B. Federal Award Findings and Questioned Costs
 NONE

LIBERTY COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None	None	

LIBERTY COUNTY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2018

N/A

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

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	TOTAL FEDERAL EXPENDITURES
<u>U.S. Department of Homeland Security</u>			
Passed through the Texas Department of Public Safety's Division of Emergency Management: <i>Disaster Grants – Public Assistance</i> <i>(Presidentially Declared Disasters)</i>	97.036	PA-06-TX	\$ <u>698,272</u>
<i>Emergency Management Performance Grants</i>	97.042	17TX-EMPG-0398	<u>34,529</u>
Total U.S. Department of Homeland Security			<u>732,801</u>
<u>U.S. Department of Housing & Urban Development</u>			
Passed through Texas General Land Office: <i>Community Development Block Grant</i>	14.228	13-308-000-7583	120
<i>Community Development Block Grant</i>	14.228	12-219-000-5519	351,097
<i>Community Development Block Grant</i>	14.228	13-314-000-7601	<u>437,236</u>
Subtotal 14.228			<u>788,453</u>
Total U.S. Department of Housing & Urban Development			<u>788,453</u>
<u>U.S. Department of Treasury</u>			
U.S. Department of Treasury: <i>Equitable Sharing</i>	21.016	TX1460000	<u>41,352</u>
Total U.S. Department of Treasury			<u>41,352</u>
<u>U.S. Department of Justice</u>			
Passed through Texas Office of the Governor: <i>Crime Victims Assistance</i>	16.575	2876602	<u>47,297</u>
Total U.S. Department of Justice			<u>47,297</u>
<u>General Services Administration</u>			
Passed through Texas Facilities Commission: <i>Donation of Federal Surplus Personal Property</i>	39.003	41920	<u>213,418</u>
Total General Services Administration			<u>213,418</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ <u>1,823,321</u></u>

See accompanying notes to schedule of expenditures of federal awards.

LIBERTY COUNTY, TEXAS

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal award activity of Liberty County, Texas, under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Liberty County, Texas, it is not intended to and does not present the financial position, changes in net position, or cash flows of Liberty County, Texas.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County did not allocate indirect costs to federal awards.

C. NONMONETARY PASSTHROUGH

The County received a nonmonetary passthrough grant from General Services Administration and Texas Facilities Commission for the acquisition of surplus equipment of \$213,418.

