

PALO PINTO COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019

PALO PINTO COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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FINANCIAL SECTION



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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Independent Auditor's Report

To The Honorable County Judge and County Commissioners
Palo Pinto County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palo Pinto County, Texas (County) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Basis for Qualified Opinions on Governmental Activities and General Fund

As fully described in Note 13 to the financial statements, the County has not recorded the receivables from the judicial assessments at September 30, 2019 in the accompanying financial statements of the Governmental Activities and General Fund. Accounting principles generally accepted in the United States of America require that these receivables should be recorded, which would increase the assets and fund balance/net position and change the revenues in the Governmental Activities and General Fund. The amount by which this departure would affect the assets, fund balance/net position, and revenues of the Governmental Activities and General Fund has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities and General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental Activities and General Fund of the County, as of September 30, 2019, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the County as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, Schedule of Changes in Net Pension Liability and Related Ratios – Texas County and District Retirement System, Schedule of Employer Pension Contributions – Texas County and District Retirement System, Schedule of Changes in Total Other Post-Employment Benefit (OPEB) Liability and Related Ratios – Texas County and District Retirement System, Schedule of Employer OPEB Contributions – Texas County and District Retirement System and Schedule of Changes in Total OPEB Liability and Related Ratios – Palo Pinto County Retiree Health Care Plan 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 fund financial statements (C Exhibits) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Edgin, Parkman, Fleming, Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
February 18, 2020

Management's Discussion and Analysis

As management of Palo Pinto County, we offer readers of the Palo Pinto County's financial statements this narrative overview of the financial activities of Palo Pinto County for the fiscal year ended September 30, 2019.

Financial Highlights

The assets and deferred outflows of resources of Palo Pinto County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$18,531,561 (*net position*). Of this amount, \$5,189,986 (*unrestricted net position*) may be used to meet the County's ongoing obligations.

As of the close of the fiscal year, the Palo Pinto County's governmental funds reported combined ending fund balances of \$16,182,335. Of this total amount, \$10,966,307 (68 percent) is *available for spending* at the County's discretion (*unassigned fund balance*).

At the end of the fiscal year, unassigned fund balance for the General Fund is \$10,966,307 or 70 percent of total General Fund expenditures.

The County's total long-term liabilities increased \$3,798,368 (40 percent) during the fiscal year. The increase is due to an increase in other post-employment benefit liability of \$232,839, an increase in pension liability of \$3,094,395 and an increase in compensated absences of \$4,448. The County also issued \$536,275 of new debt and retired debt in the amount of \$69,589.

Overview of Financial Statements

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

Government-wide financial statements. The *government-wide financial statements* are designed to provide a broad overview of Palo Pinto County's finances, in a manner similar to private sector business.

The *Statement of Net Position* presents information on all of Palo Pinto County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of whether the County's financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net position changed during the year. All changes in net position are reported as soon as the event causing the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g., uncollected taxes).

The government-wide financial statements are presented on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Palo Pinto County, like other state and local governments, uses fund accounting to ensure and demonstrate

compliance with finance-related legal requirements. All of the funds of Palo Pinto County can be divided into three categories: governmental funds, internal service, and fiduciary funds.

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

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

Palo Pinto County maintains twenty-seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the other twenty-seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining funds* elsewhere in this report.

Palo Pinto County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund.

The basic governmental financial statements can be found on pages 11 and 13-14 of this report.

Internal service. The county adopted a Health Reimbursement Arrangement (HRA) Plan and it is accounted for as an internal service fund. The internal service fund's financial statements are on pages 16-18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The combined fiduciary fund *Statement of Fiduciary Assets and Liabilities* can be found on page 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the audited financial statements.

The notes can be found on pages 20-47 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Palo Pinto County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,531,561 at September 30, 2019.

The largest portion of the County's net position (63 percent) reflects its investment in capital assets (eg, land, buildings, machinery and equipment, and infrastructure), less any related debt

used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Palo Pinto County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

	<i>Government Activities</i>	
	<u>2019</u>	<u>2018</u>
<i>Current and Other Assets</i>	\$ 17,552,298	\$ 15,864,391
<i>Capital Assets</i>	<u>12,786,846</u>	<u>12,385,851</u>
Total Assets	<u><u>\$ 30,339,144</u></u>	<u><u>\$ 28,250,242</u></u>
<i>Deferred Outflows of Resources</i>	<u>\$ 2,828,511</u>	<u>\$ 960,853</u>
<i>Current Liabilities</i>	\$ 1,057,203	\$ 770,037
<i>Long-Term Liabilities</i>	<u>13,315,943</u>	<u>9,517,575</u>
Total Liabilities	<u><u>\$ 14,373,146</u></u>	<u><u>\$ 10,287,612</u></u>
<i>Deferred Inflows of Resources</i>	<u>\$ 262,948</u>	<u>\$ 1,021,945</u>
Net Position:		
<i>Net Investment in Capital Assets</i>	\$ 11,748,239	\$ 11,813,930
<i>Restricted</i>	1,593,336	1,430,047
<i>Unrestricted</i>	<u>5,189,986</u>	<u>4,657,561</u>
Total Net Position	<u><u>\$ 18,531,561</u></u>	<u><u>\$ 17,901,538</u></u>

Restricted net position represents resources that are subject to external restrictions. Unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year, Palo Pinto County is able to report positive balances in net position, for the government as a whole, as well as for its separate governmental activities.

Changes in Net Position

	<i>Government Activities</i>	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program Revenues:		
<i>Charges for Services</i>	\$ 3,262,418	\$ 3,187,870
<i>Operating Grants and Contributions</i>	467,560	282,501
<i>Capital Grants and Contributions</i>	-	32,480
General Revenues:		
<i>Property Taxes</i>	11,756,822	10,830,278
<i>Other Taxes</i>	1,751,553	1,638,479
<i>Other</i>	476,585	477,224
Total Revenues	<u><u>\$ 17,714,938</u></u>	<u><u>\$ 16,448,832</u></u>
Expenses:		
<i>General Government</i>	\$ 4,597,128	\$ 6,343,182
<i>Administration of Justice</i>	2,492,339	2,939,404
<i>Public Safety</i>	2,971,337	3,316,926
<i>Corrections and Rehabilitation</i>	2,787,946	3,181,739
<i>Health and Human Services</i>	620,734	717,057
<i>Community and Economic Development</i>	360,147	346,958
<i>Infrastructure and Environmental Services</i>	3,090,840	3,207,133
Total Expenses	<u><u>\$ 16,920,471</u></u>	<u><u>\$ 20,052,399</u></u>
<i>Change in Net Position</i>	<u><u>\$ 794,467</u></u>	<u><u>\$ (3,603,567)</u></u>
<i>Net Position - 10/1</i>	<u>17,901,538</u>	<u>21,914,053</u>
<i>Prior Period Adjustment</i>	<u><u>\$ (164,444)</u></u>	<u><u>\$ (408,948)</u></u>
<i>Net Position - 9/30</i>	<u><u>\$ 18,531,561</u></u>	<u><u>\$ 17,901,538</u></u>

Financial Analysis of the Government's Funds

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

The General Fund is the chief operating fund of Palo Pinto County. At the end of the current fiscal year, unassigned fund balance of the General Fund is \$10,966,307 while the total fund balance reached \$12,888,712. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents 70 percent of total General Fund expenditures, while total fund balance represents 82 percent of total General Fund expenditures.

The fund balance of Palo Pinto County's General Fund increased by \$977,964 during the current fiscal year. Key factors in this growth are as follows:

- Property taxes increased by \$947,312.
- Sales taxes increased by \$100,456.
- General Fund expenditures increased \$359,951 mostly due to the net result of increased jail and detention costs and new road and bridge maintenance equipment less lower election administration costs because significant new voting equipment was purchased in the prior year.
- General Fund proceeds from capital leases increased \$318,678 from the prior year.
- General Fund net transfers out to other funds increased \$120,000 from the prior year.

The Capital Projects Funds have a total fund balance of \$1,708,084 all of which is restricted or committed for future capital projects. This represents an increase of \$422,002 from 2019. It is the intent of the County to use these funds for future growth and expansion needs of the County.

The Debt Service Fund has a total fund balance of \$0. The Fund is used to account for the Texas Capital Fund loan. The monthly lease payments received by the County are immediately paid toward the loan balance.

Palo Pinto County's Special Revenue Funds have a combined restricted and committed fund balance of \$1,585,539 which represents an increase of \$162,392 primarily due to decreased expenditures in the County Clerk Funds and increased transfers from the General Fund into the Courthouse Security Fund.

General Fund Budgetary Highlights

The final amended budget showed budgeted revenues increased only \$34,883 over the original budget and no individual revenue categories changed significantly from the original to the final budget.

It is the practice of the County to budget very conservatively. Actual revenues were 3.2 percent higher than budgeted. Licenses, Fee and Fines were 3.6 percent higher than budgeted due to conservative budgeting. Ad valorem taxes were only 1.1 percent higher than budgeted. Actual operating expenditures were 7.8 percent lower than budgeted. This can be attributed primarily to lower than anticipated costs in general operations, jail and detention operations, road and bridge operations, and sheriff operations.

Capital Asset and Debt Administration

Capital assets. Palo Pinto County's investment in capital assets for its governmental activities as of September 30, 2019 amounts to \$12,786,846 (net of depreciation). This investment in capital assets includes land, buildings and building improvements, other improvements, transportation, machinery, equipment and other assets, infrastructure and construction-in-progress.

Major capital asset events during the current fiscal year included the following:

- ◆ The receipt of a donated dispatch communications console system for \$170,000.
- ◆ The costs for road and bridge projects in progress at the end of the year totaling \$271,182.
- ◆ The purchase of several vehicles and heavy equipment for road and bridge operations totaling \$809,707.
- ◆ The disposal of several old vehicles and heavy equipment for road and bridge operations with a net book value of \$65,760.

Additional information on the County's capital assets can be found in Note 5 on page 29 of this report.

Long-term debt. At the end of the fiscal year, the County had total long-term obligations of \$13,315,943 outstanding, including net pension liability and net other post-employment obligation liability. This debt is 100% backed by the full faith and credit of the County.

Additional information on the County's long-term debt can be found in Note 7 on pages 30-32 of this report.

Economic Factors and Next Year's Budgets

At the end of the fiscal year the unassigned fund balance in the General Fund was \$10,966,307. The County appropriated \$1,542,425 of this amount for spending in the 2019-20 fiscal year budget for several contingency line items in the General Fund for unexpected emergencies.

Requests for Information

This financial report is designed to provide a general overview of Palo Pinto County's finances. Questions concerning information in this report should be addressed to the County Auditor, Palo Pinto County, P.O. Box 159, Palo Pinto, Texas 76484.

Reference: Gauthier, Stephen J. Governmental Accounting, Auditing, and Financial Reporting, Chicago: Government Finance Officers Association, 2001.

BASIC FINANCIAL STATEMENTS

PALO PINTO COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,774,828
Investments	14,560,383
Receivables:	
Property taxes, net	238,113
Sales taxes	223,395
Occupancy taxes	56,610
Accounts	139,220
Due from fiduciary	223,670
Prepaid expenses	272,120
Inventory	63,959
Capital assets, net	12,786,846
Total assets	<u>30,339,144</u>
Deferred Outflows of Resources	
Pension plan related	2,785,566
OPEB related	42,945
Total deferred outflows of resources	<u>2,828,511</u>
Liabilities	
Accounts payable	500,867
Accrued liabilities	452,789
Due to fiduciary	37,029
Due to others	66,518
Long-term liabilities:	
Due within one year	453,310
Due in more than one year	848,713
Net pension liability	7,394,843
Total OPEB liability	4,619,077
Total liabilities	<u>14,373,146</u>
Deferred Inflows of Resources	
Pension plan related	220,032
OPEB related	42,916
Total deferred inflows of resources	<u>262,948</u>
Net Position	
Net investment in capital assets	11,748,239
Restricted	1,593,336
Unrestricted	5,189,986
Total net position	<u>\$ 18,531,561</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
General Government	\$ 4,597,128	\$ 1,342,827	\$ -	\$ (3,254,301)
Administration of Justice	2,492,339	701,475	167,217	(1,623,647)
Public Safety	2,971,337	123,699	83,111	(2,764,527)
Corrections and Rehabilitation	2,787,946	191,464	-	(2,596,482)
Health and Human Services	620,734	-	-	(620,734)
Community and Economic Development	360,147	8,040	217,232	(134,875)
Infrastructure and Environmental Services	3,090,840	894,913	-	(2,195,927)
Total governmental activities	<u>\$ 16,920,471</u>	<u>\$ 3,262,418</u>	<u>\$ 467,560</u>	<u>(13,190,493)</u>
General revenues:				
Property taxes, levied for general purposes				11,756,822
Sales taxes				1,539,385
Hotel/motel taxes				160,054
Mixed beverage taxes				52,114
Investment earnings				251,647
Miscellaneous				224,938
Total general revenues				<u>13,984,960</u>
Change in net position				<u>794,467</u>
Net position - beginning of year, as originally stated				17,901,538
Prior period adjustment				<u>(164,444)</u>
Net position - beginning of year, as restated				17,737,094
Net position - ending				<u>\$ 18,531,561</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 342,978	\$ 1,330,399	\$ 1,673,377
Investments	12,663,272	1,897,111	14,560,383
Receivables, net:			
Property taxes	238,113	-	238,113
Sales taxes	223,395	-	223,395
Occupancy taxes	-	56,610	56,610
Accounts	136,437	2,783	139,220
Due from other funds	172,816	18,039	190,855
Prepaid expenses	272,120	-	272,120
Inventory	63,959	-	63,959
Total assets	<u>\$ 14,113,090</u>	<u>\$ 3,304,942</u>	<u>\$ 17,418,032</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 479,189	\$ 5,389	\$ 484,578
Accrued liabilities	436,492	5,782	442,274
Due to other funds	4,214	-	4,214
Due to others	66,370	148	66,518
Total liabilities	<u>986,265</u>	<u>11,319</u>	<u>997,584</u>
Deferred inflows of resources:			
Unavailable property taxes	<u>238,113</u>	<u>-</u>	<u>238,113</u>
Fund balances:			
Nonspendable	336,079	-	336,079
Restricted	15,272	1,578,064	1,593,336
Committed	28,629	1,715,559	1,744,188
Assigned	1,542,425	-	1,542,425
Unassigned	10,966,307	-	10,966,307
Total fund balances	<u>12,888,712</u>	<u>3,293,623</u>	<u>16,182,335</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,113,090</u>	<u>\$ 3,304,942</u>	<u>\$ 17,418,032</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total fund balances - governmental funds (Exhibit A-3) \$ 16,182,335

Amounts reported for *governmental activities* in the Statement of Net Position (Exhibit A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:

Gross capital assets	\$ 27,263,852	
Related accumulated depreciation	<u>14,477,006</u>	12,786,846

Property tax receivables are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		238,113
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Note payable	378,000	
Capital leases payable	660,607	
Accrued compensated absences	<u>263,416</u>	(1,302,023)

Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, interest expenditures are recorded only when due.		(10,515)
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The County uses an internal service fund to operate a health reimbursement account (HRA) for the benefit of all eligible employees of the County. The assets and liabilities are included in the governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		85,162
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The County's net pension and OPEB liabilities and related deferred outflows and inflows related to its participation in the Texas County & District Retirement System and the OPEB liability and related deferred outflows and inflows related to the County provided retiree medical coverage do not meet criteria to be reported in the governmental funds financial statements. These items consist of:

Net pension liability	(7,394,843)	
Deferred outflows - pension related items	2,785,566	
Deferred inflows - pension related items	(220,032)	
Total OPEB liability	(4,619,077)	
Deferred outflows - OPEB related items	42,945	
Deferred inflows - OPEB related items	<u>(42,916)</u>	<u>(9,448,357)</u>

Total net position - governmental activities (Exhibit A-1)		<u>\$ 18,531,561</u>
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The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 11,773,896	\$ -	\$ 11,773,896
Sales taxes	1,539,385	-	1,539,385
Occupancy tax	-	160,054	160,054
Mixed beverage tax	52,114	-	52,114
Licenses, fees and fines	2,597,700	241,508	2,839,208
Federal and state grants	234,843	244,732	479,575
Inmate revenue	103,454	-	103,454
Commissary revenue	-	88,010	88,010
Interest earned	224,425	26,775	251,200
Other revenue	234,403	163,454	397,857
Total revenues	16,760,220	924,533	17,684,753
Expenditures			
29th District Court	542,433	-	542,433
Capital projects	-	206,115	206,115
Commissary	-	62,744	62,744
Commissioner's Court	51,146	-	51,146
Constable	408,919	-	408,919
County Attorney	258,461	1,662	260,123
County Auditor	270,978	-	270,978
County Clerk	321,686	68,957	390,643
County Court	193,075	-	193,075
County Extension Service	115,270	-	115,270
County Treasurer	132,423	-	132,423
Courthouse security	-	119,268	119,268
Debt service - principal	-	28,000	28,000
District Attorney	337,395	28,374	365,769
District Clerk	231,755	-	231,755
Election Administration	174,078	-	174,078
Emergency Management	110,224	-	110,224
Emergency Medical & Health Services	533,300	-	533,300
General operations	3,030,274	71,511	3,101,785
Health services	10,000	-	10,000
Hotel/motel tax	-	156,997	156,997
Information Technology	137,451	-	137,451
Jail and detention	2,417,550	-	2,417,550
Justice of the Peace	567,094	-	567,094
Narcotics Unit	157,777	-	157,777
Public Works	392,387	203,232	595,619
Road and Bridge:			
Precinct No. 1	582,316	-	582,316
Precinct No. 2	939,637	-	939,637
Precinct No. 3	738,319	-	738,319
Precinct No. 4	710,264	-	710,264

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Sheriff	1,763,243	21,186	1,784,429
Tax Assessor-Collector	565,329	-	565,329
Vending Expenditures	-	2,593	2,593
Veteran's Administration	22,819	-	22,819
Total expenditures	<u>15,715,603</u>	<u>970,639</u>	<u>16,686,242</u>
Excess of revenues over (under) expenditures	<u>1,044,617</u>	<u>(46,106)</u>	<u>998,511</u>
Other sources and (uses):			
Proceeds from the issuance of capital leases	536,275	-	536,275
Proceeds from the sale of capital assets	112,572	-	112,572
Transfers in	37,892	630,500	668,392
Transfers out	<u>(753,392)</u>	<u>-</u>	<u>(753,392)</u>
Total other sources and (uses)	<u>(66,653)</u>	<u>630,500</u>	<u>563,847</u>
Net change in fund balances	<u>977,964</u>	<u>584,394</u>	<u>1,562,358</u>
Fund balances, beginning of year, as originally stated	12,075,192	2,709,229	14,784,421
Prior period adjustment	<u>(164,444)</u>	<u>-</u>	<u>(164,444)</u>
Fund balances, beginning of year, as restated	<u>11,910,748</u>	<u>2,709,229</u>	<u>14,619,977</u>
Fund balances, end of year	<u>\$ 12,888,712</u>	<u>\$ 3,293,623</u>	<u>\$ 16,182,335</u>

The accompanying notes are an integral part of this statement.

PALO PINTO 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, 2019

Net change in fund balances - total governmental funds (Exhibit A-5)		\$ 1,562,358
Amounts reported for <i>governmental activities</i> in the Statement of Activities (Exhibit A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:		
Capital outlay during the year	\$ 1,706,594	
Depreciation expense for the year	<u>1,239,839</u>	466,755
The net book value of the capital assets disposed of during the year is not recorded in the governmental funds. In the Statement of Activities, the difference between the proceeds and the book value of the capital asset is reported as a gain (loss) from sale. The net book value of the capital assets disposed of during the year was:		
		(65,760)
Because property tax receivables will not be collected for several months after the County's fiscal year ends, they are not considered 'available' revenues and are deferred inflows of resources in the governmental funds. Deferred inflows of resources decreased by this amount.		
		(17,074)
The issuance of long-term debt provides current financial resources to governmental funds. However, the issuance increases long-term liabilities in the Statement of Net Position. The County issued capital leases for the purchase of equipment in the current year totaling:		
		(536,275)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. The long-term debt principal paid during the year was as follows:		
Note payable	28,000	
Capital leases payable	<u>41,589</u>	69,589
Interest on long-term debt in the Statement of Activities differs from the amount reported in governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The increase in accrued interest is as follows:		
Accrued interest at September 30, 2018	(5,854)	
Accrued interest at September 30, 2019	<u>10,515</u>	(4,661)
Included in long-term liabilities are obligations for accrued vacation leave and the net other post-employment benefit obligation for retiree medical coverage. The changes in these obligations are not included in the governmental fund financial statements, but are included in the government-wide financial statements. The change in these long-term obligations was:		
		(254,880)
The County participates in an agent multiple-employer defined benefit pension and OPEB plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension and OPEB expenses are recognized on an actuarial basis. The actuarial expense exceeded the plan contributions in the current year.		
		(450,147)
The County uses an internal service fund to operate a health reimbursement account (HRA) for the benefit of all eligible employees of the County. The change in net position of the internal service fund is reported with the governmental activities. The net effect of this consolidation is a decrease in net position.		
		<u>24,562</u>
Change in net position of governmental activities (Exhibit A-2)		<u>\$ 794,467</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
SEPTEMBER 30, 2019

	Health Reimbursement Arrangement
Assets	
Cash	\$ 101,451
Total assets	<u>101,451</u>
Liabilities	
Accounts payable	<u>16,289</u>
Total liabilities	<u>16,289</u>
Net Position	
Unrestricted	85,162
Total net position	<u>\$ 85,162</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Health Reimbursement Arrangement
Operating revenues	
Charges for services	\$ -
Operating expenses:	
Reimbursements	60,885
Total operating expenses	<u>60,885</u>
Loss from operations	(60,885)
Non-operating income:	
Interest income	447
Transfers in	<u>85,000</u>
Change in net position	24,562
Total net position - beginning	60,600
Total net position - ending	<u><u>\$ 85,162</u></u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Health Reimbursement Arrangement
Cash flows from operating activities	
Cash paid to employees for health reimbursements	\$ (63,189)
Net cash used by operating activities	<u>(63,189)</u>
Cash flows from investing activities	
Transfers in from other funds	85,000
Interest earnings	447
Net cash provided by investing activities	<u>85,447</u>
Net increase in cash and cash equivalents	22,258
Cash and cash equivalents at beginning of the year	79,193
Cash and cash equivalents at end of the year	<u>\$ 101,451</u>
Reconciliation of loss from operations to net cash used by operating activities:	
Operating loss	\$ (60,885)
Effect of change in current assets and liabilities:	
Increase in accounts payable	(2,304)
Net cash used by operating activities	<u>\$ (63,189)</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUNDS
SEPTEMBER 30, 2019

	Agency Funds
Assets	
Cash	\$ 1,450,060
Investments	1,079,668
Other receivables	11,660
Due from other funds	37,029
Total assets	<u>\$ 2,578,417</u>
Liabilities	
Due to other funds	\$ 223,670
Due to others	2,354,747
Total liabilities	<u>\$ 2,578,417</u>

The accompanying notes are an integral part of this statement.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Palo Pinto, Texas (County) was created by the Act of Legislature on August 27, 1856, and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical precincts. The County Judge is elected for a term of four years and the Commissioners for four year staggered terms. Other major County elective officers include the County Clerk, District Clerk, County Tax Assessor-Collector and County Treasurer. The County Auditor is appointed for a term of two years and serves at the will of the District Judge, whose court is located in Palo Pinto County. The 2010 census population for the County was 28,111 and the area covered is approximately 949 square miles. The unincorporated community of Palo Pinto is the County Seat. The County provides the following public services: Public Safety – Sheriff’s Department and Jail Detention, Tax Assessing and Collecting, Sanitation, Fire, Emergency Medical Services, Public Records, Criminal and Civil Prosecution, Road and Bridge Maintenance and General Operations.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The government’s significant accounting policies are described below:

A. Reporting Entity

In evaluating the County for financial reporting purposes, management has considered all potential component units. The evaluation was made by applying the criteria set forth in generally accepted accounting principles for inclusion of component units with a reporting entity. The major criterion for including a potential component unit within the reporting entity is the governing body’s ability to exercise oversight responsibility over the unit. The most significant manifestation of this ability to exercise oversight responsibility includes, but is not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the County is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no potential component units included in the reporting entity as defined by GASB 14, “The Reporting Entity”, as amended by GASB 39 and 61.

There are no component units which satisfy requirements for blending or discrete presentation within the County’s financial statements. Accordingly, the basic financial statements present the County only.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non-fiduciary activities of the County. For the most part, the effects of interfund activity have been removed from these statements.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

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

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

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental fund:

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

The County reports the following nonmajor governmental funds reported as 'Other Governmental Funds':

The *Special Revenue Funds* account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Capital Project Funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The *Debt Service Funds* are used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt.

The County reports the following internal service fund:

The *Health Reimbursement Arrangement (HRA) Plan* was established under Internal Revenue Code Section 106 for reimbursing eligible County employees for the cost of certain eligible medical expenses incurred by them, their spouses and eligible dependents.

Additionally, the County reports the following Agency Funds:

Agency Funds are used to report cash and investments and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations or other governments. The assets are held in a trustee or agent capacity and are not available to support County programs; therefore, these funds are not included in the government-wide financial statements.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

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

The preparation of the financial statements in conformity with generally accepted accounting principles require the use of estimates by management that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

D. Financial Statement Amounts

1. Deposits and Investments

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.

State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and investment pools.

Investments for the County are reported at fair value. The authorized investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and Payables

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

All trade and property tax receivables, including those for the County, are shown net of an allowance for uncollectibles.

Property taxes are levied by October 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed.

3. Uncollected Taxes Receivable

The office of the Tax Assessor-Collector is under contract to eighteen (18) different taxing entities. It is the responsibility of the Tax Assessor-Collector to collect the taxes for the various taxing districts and then to remit the tax, including any penalty and interest, less a 1% fee of current taxes and 7% of delinquent taxes, to the tax district, except for the Palo Pinto County Education District, in which the Tax Assessor-Collector receives all penalties collected. The amount recorded as investment in uncollected taxes represents the total taxes receivable for the eighteen districts and the Palo Pinto County Education District.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

4. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The amounts reported by the County in this category related to the County's participation in the Texas County and District Retirement System (TCDRS).

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items that qualify for reporting in this category. The amounts reported by the County in this category related to the County's participation in TCDRS. Property taxes receivable are unavailable and therefore cannot be recognized as revenue in the governmental funds until they are received.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs on fixed assets are not capitalized. Interest is charged to the Debt Service Fund for assets acquired with tax notes. For assets purchased under capital lease agreements, interest is expensed in the fund responsible for making the lease payments.

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

Furniture & Fixtures	7 years
Vehicles	3 - 15 years
Equipment	5 - 7 years
Heavy Equipment	8 - 30 years
Buildings and Improvements	5 - 40 years
Other Improvements	10 - 20 years
Public Domain Infrastructure	15 - 30 years

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

7. **Compensated Absences**

It is the County's policy to permit employees to accumulate a limited amount of earned but unused vacation and compensated absences, which will be paid to employees upon separation from the County's service. In governmental funds, the cost of vacation and compensated absences is recognized when payments are made to employees. A long-term liability of \$263,416 of accrued vacation and compensated absences at September 30, 2019 has been recorded in the government-wide statements, representing the County's commitment to fund such costs from future operations. The department for which the employee works is charged when payments for vacation or compensated absences are paid. The County's sick leave policy provides for a maximum carry over of 480 hours, with the exception of a few grandfathered employees. The County has no obligation for the accumulated sick leave until it is actually taken; therefore, no accrual for sick leave has been made.

8. **Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Issuance costs associated with long-term debt are reported as deferred charges and amortized over the term of the related debt.

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

9. **Fund Balances – Governmental Funds**

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the County's Commissioners' Court. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

Assigned Fund Balance – represents amounts which the County intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the County itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

10. Transactions Between Funds

Outstanding balances between funds are reported as "due to/from other funds." Nonrecurring or non-routine transfers of equity between funds are accounted for as transfers.

11. Use of Estimates

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

12. Pensions

The fiduciary net position of the TCDRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting, the same basis as is reported by TCDRS in their Comprehensive Annual Financial Report. This includes for purposes of measuring the net pension asset (liability), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Other Post-Employment Benefits

The fiduciary net position of the TCDRS and the County's Retiree Health Care Plan have been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TCDRS and the County's Retiree Health Care Plan fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go-plan and all cash is held in a cash account.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

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 are reported below, along with actions taken to address such violations:

For the year ended September 30, 2019, the County had no violations of finance-related legal or contractual provisions.

B. Deficit Fund Balance or Net Position of Individual Funds

As of September 30, 2019, there were no funds with a deficit fund balance or net position.

3. DEPOSITS AND INVESTMENTS

A. Deposits

Deposits, except for those held in trust by the County Clerk, District Clerk, and others were held with the contracted depository banks in interest bearing accounts which were secured at the balance sheet date by FDIC coverage and by pledged government securities in the name of the depository banks. At September 30, 2019, the carrying amount of the County's deposits was \$16,324,545 and the balance per the bank was \$16,576,327. Included in the carrying amount and bank balance are money market savings and certificates of deposit (recorded as investments) totaling \$7,160,383 and \$7,400,000, respectively.

The County Clerk, District Clerk, and others hold deposit accounts and investments as trustees under court orders in various banks. The accounts are styled for the benefit of the individual beneficiaries and do not actually belong to the County. The investments consist of interest-bearing demand deposits and certificates of deposit whose carrying value and market value are the same. The carrying amounts of agency funds held by the County at September 30, 2019 were \$2,529,728 and the balance per the bank was \$2,529,728. All deposits and investments were secured by FDIC coverage.

B. Investments

The County is required by Government Code Chapter 2256, The Public Funds Investment Act (Act) to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, maturity and the quality and capability of investment management; include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

The County's investments at September 30, 2019 are shown below:

<u>Investments</u>	<u>Weighted Maturity (Months)</u>	<u>Fair Value</u>
Money market savings	N/A	\$ 7,160,383
Certificates of deposit	5.77	<u>7,400,000</u>
Total		<u>\$14,560,383</u>

The County categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The County's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The County values its money market savings and certificates of deposit using Level 2 inputs.

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. At year end, the County was not significantly exposed to 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.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

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.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of the prior year. Taxes are levied on October 1 and do not begin to accrue interest until February 1. The County is permitted by the Municipal Finance Law of the State of Texas to levy taxes (exclusive of those amounts levied to service long-term debt) up to \$.80 per \$100 of assessed valuation for general services, permanent improvements, road and bridge and jury fund purposes. The combined tax rate to finance general government (exclusive of long-term debt service and Special Road & Bridge) for the year ended September 30, 2019, was \$0.400 per \$100 valuation.

No taxes were levied for the payment of principal and interest related to long-term debt as the bonded debt was paid in full in a prior year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

At September 30, 2019, net property taxes receivable is calculated as follows:

Gross property taxes receivable	\$547,334
Allowance for uncollectible taxes	<u>(309,221)</u>
Net property taxes receivable	<u>\$238,113</u>

Of the \$547,334 of property taxes receivable at September 30, 2019, the County expects to collect approximately \$150,000 within a year. This is similar to the amount of delinquent taxes received in previous years.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

Governmental Activities:	<u>Balance</u> 10/1/18	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> 9/30/19
Capital assets not being depreciated:					
Land	\$ 271,598	\$ -	\$ -	\$ -	\$ 271,598
Construction in progress	<u>123,372</u>	<u>271,182</u>	<u>-</u>	<u>(282,739)</u>	<u>111,815</u>
Total capital assets not being depreciated	<u>394,970</u>	<u>271,182</u>	<u>-</u>	<u>(282,739)</u>	<u>383,413</u>
Capital assets being depreciated:					
Buildings and improvements	9,171,822	-	-	-	9,171,822
Equipment	4,354,852	877,327	52,958	-	5,179,221
Vehicles	3,153,146	299,428	444,144	-	3,008,430
Infrastructure	<u>8,979,570</u>	<u>258,657</u>	<u>-</u>	<u>282,739</u>	<u>9,520,966</u>
Total capital assets being depreciated	<u>25,659,390</u>	<u>1,435,412</u>	<u>497,102</u>	<u>282,739</u>	<u>26,880,439</u>
Less accumulated depreciation for:					
Buildings and improvements	6,149,515	255,932	-	-	6,405,447
Equipment	2,155,113	237,807	12,338	-	2,380,582
Vehicles	2,159,420	297,014	419,004	-	2,037,430
Infrastructure	<u>3,204,461</u>	<u>449,086</u>	<u>-</u>	<u>-</u>	<u>3,653,547</u>
Total accumulated depreciation	<u>13,668,509</u>	<u>1,239,839</u>	<u>431,342</u>	<u>-</u>	<u>14,477,006</u>
Total capital assets being depreciated, net	<u>11,990,881</u>	<u>195,573</u>	<u>65,760</u>	<u>282,739</u>	<u>12,403,433</u>
Governmental activities capital assets, net	<u>\$12,385,851</u>	<u>\$ 466,755</u>	<u>\$ 65,760</u>	<u>\$ -</u>	<u>\$12,786,846</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 164,404
Administration of Justice	19,027
Public Safety	161,123
Corrections and Rehabilitation	118,802
Health and Human Services	490
Community and Economic Development	33,443
Infrastructure and Environmental Services	<u>742,550</u>
Total governmental depreciation	<u>\$1,239,839</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

6. INTERFUND BALANCES AND ACTIVITIES

A. Balances due to and from other funds at September 30, 2019 were as follows:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Other Governmental Funds	\$ 4,214	Short-term loan
Fiduciary Funds	Other Governmental Funds	13,825	Short-term loan
Fiduciary Funds	General Fund	172,816	Short-term loan
Fiduciary Funds	Fiduciary Funds	<u>37,029</u>	Short-term loan
	Total	<u>\$227,884</u>	

All of the above amounts are expected to be repaid within one year.

B. Transfers in and out during the year ended September 30, 2019 were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	General Fund	\$ 37,892	Supplement other funds
General Fund	Other Governmental Funds	630,500	Supplement other funds
General Fund	Internal Service Fund	<u>85,000</u>	Supplement other funds
	Total	<u>\$753,392</u>	

7. LONG-TERM OBLIGATIONS

The County issued a note payable and capital leases to provide funds for the acquisition and construction of major capital facilities and equipment. These issues are direct obligations and pledge the full faith and credit of the County.

Changes in long-term liabilities for the year ended September 30, 2019 was as follows:

Governmental Activities:	<u>Balance</u> <u>10/01/18</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>09/30/19</u>	<u>Due Within</u> <u>One Year</u>
Note payable	\$406,000	\$ -	\$ 28,000	\$ 378,000	\$ 28,000
Capital leases payable	165,921	536,275	41,589	660,607	161,894
Compensated absences	<u>258,968</u>	<u>313,613</u>	<u>309,165</u>	<u>263,416</u>	<u>263,416</u>
Total long-term liabilities – governmental activities	<u>\$830,889</u>	<u>\$849,888</u>	<u>\$378,754</u>	<u>\$1,302,023</u>	<u>\$453,310</u>

For the governmental activities, compensated absences are generally liquidated by the General Fund.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

Total debt service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 189,894	\$23,604	\$ 213,498
2021	194,879	18,620	213,499
2022	170,814	12,812	183,626
2023	120,575	7,907	128,482
2024	124,445	4,036	128,481
2025-29	140,000	-	140,000
2030-33	<u>98,000</u>	<u>-</u>	<u>98,000</u>
Totals	<u>\$1,038,607</u>	<u>\$66,979</u>	<u>\$1,105,586</u>

Note Payable

The note payable to the Texas Department of Rural Community Affairs is part of the Texas Department of Agriculture's Community Development Block Grant (CDBG) known as the Texas Capital Fund. The County borrowed \$560,000 interest-free to purchase a facility which was leased to a business. The lease proceeds will be used to repay the loan. The monthly lease is for \$2,333 which began in June 2012, but was deferred from August 1, 2014 to July 31, 2015.

<u>Purpose</u>	<u>Original Amount</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/19</u>
Purchase and lease facility as part of the CDBG Texas Capital Fund program	\$560,000	05/23/11	03/01/33	0.00%	<u>\$ 378,000</u>

Note payable service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 28,000	\$ -	\$ 28,000
2021	28,000	-	28,000
2022	28,000	-	28,000
2023	28,000	-	28,000
2024	28,000	-	28,000
2025-29	140,000	-	140,000
2030-33	<u>98,000</u>	<u>-</u>	<u>98,000</u>
Totals	<u>\$378,000</u>	<u>\$ -</u>	<u>\$378,000</u>

Capital Leases Payable

On October 11, 2017, the County entered into a capital lease for the acquisition of a 544K Loader 4WD. The lease requires five annual payments of \$23,103 beginning October 16, 2017 with a bargain purchase payment of \$1 on October 16, 2022. On December 21, 2017, the County entered into a capital lease for the acquisition of a second 544K Loader 4WD. The lease requires four annual payments of \$29,873 beginning December 21, 2017 with a bargain purchase payment of \$1 on December 21, 2021. On April 11, 2019, the County entered into a capital lease for the acquisition of a used 2015 John Deere 772G Motor Grader. The lease requires five annual payments of \$35,438 beginning April 24, 2020 with a bargain purchase payment of \$1 on April 24,

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

2024. On July 1, 2019, the County entered into a capital lease for the acquisition of a 4X2 Gradall Hydraulic Excavator. The lease requires five annual payments of \$65,044 beginning July 1, 2020. On August 15, 2019, the County entered into a capital lease for the acquisition of a 2016 Komatsu Excavator. The lease requires three annual payments of \$32,028 beginning February 15, 2020 with a bargain purchase payment of \$1 on February 15, 2022.

<u>Purpose</u>	<u>Original Amount</u>	<u>Date Issued</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Balance 9/30/19</u>
544K Loader 4WD (John Deere Financial)	\$107,848	10/16/17	10/16/21	3.50%	\$ 66,761
544K Loader 4WD (John Deere Financial)	\$111,049	12/21/17	12/21/21	5.00%	57,571
John Deere 772G Motor Grader (Midland States Bank)	\$152,575	4/24/19	4/24/24	5.20%	152,575
4X2 Gradall Hydraulic Excavator (Government Capital Corporation)	\$292,600	7/1/19	7/1/24	3.64%	292,600
2016 Komatsu Excavator (First National Bank - Leasing)	\$ 91,100	2/15/19	2/15/22	3.65%	<u>91,100</u>
Total balance at 9/30/19					<u>\$660,607</u>

The total cost of assets acquired under capital lease is \$838,872 at September 30, 2019. These assets have accumulated depreciation of \$24,763, for a net value of \$814,109 as of September 30, 2019.

Capital leases payable service requirements to maturity are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$161,894	\$23,604	\$185,498
2021	166,879	18,620	185,499
2022	142,814	12,812	155,626
2023	92,575	7,907	100,482
2024	<u>96,445</u>	<u>4,036</u>	<u>100,481</u>
Totals	<u>\$660,607</u>	<u>\$66,979</u>	<u>\$727,586</u>

8. RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various nature. The County participates in the Texas Association of Counties Intergovernmental Risk Pool (Pool) which provides protection for risks of loss. Premiums are paid to the Pool which retains the risk of loss beyond the County's policy deductibles. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the County's basic financial statements. For the last three years, there have been no significant reductions of insurance coverage or insurance settlements in excess of insurance coverage.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

9. CONTINGENT LIABILITIES AND COMMITMENTS

Federal and State Grants

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

Litigation

In the normal course of providing services to the public, the County from time-to-time is subjected to litigation claims. The County defends itself against such claims based on internal assessment of liability and risk. Litigation expenses are recorded as expenditures in the period when litigation services are rendered and damages are accrued as expenditures when determined to be probable and when amounts can reasonably be estimated. No liabilities have been accrued in the financial statements relative to litigation at September 30, 2019.

Construction Commitments

The County has engaged the Texas Department of Transportation (TXDOT) for the replacement of two bridges in Palo Pinto County. At September 30, 2019, the County has incurred \$121,226 of costs towards \$196,489 of its matching portion of the contract with TXDOT, leaving a remaining commitment of \$75,263. The County is also in the planning stages of building a new waste-water treatment plant in Mineral Wells with an estimated cost of \$3,000,000. At September 30, 2019, the County has only contracted with an engineer with a total contract cost of \$265,000. No costs were incurred through September 30, 2019.

10. DEFINED BENEFIT PENSION PLAN

A. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional, defined benefit pension plan in the statewide TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 738 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis that is publicly available at www.tcdrs.org.

The plan provisions are adopted by the governing body of the County, 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 or 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 contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

B. Benefits Provided

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

accumulated contributions and the County-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees Covered by Benefit Terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	116
Inactive employees entitled to but not yet receiving benefits	107
Active employees	167

C. 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 County 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 12.54% for the months of the accounting year in 2018, and 11.94% for the months of the accounting year in 2019.

The contribution rate payable by the employee members for calendar year 2018 is the rate of 7% as adopted by the Commissioners' Court of the County. The employee contribution rate and the County contribution rate may be changed by the Commissioners' Court of the County within the options available in the TCDRS Act.

D. Net Pension Liability

The County's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation.

Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68.

Real rate of return	5.25% per year
Inflation	2.75% per year
Long-term investment return	8.00% per year, net of pension plan investments expenses
Growth in membership	0.00% per year
Payroll growth	3.25% per year

Salary increases were based on a service-related table. The mortality rates for active members were based on 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after that. The mortality rate for service retirees, beneficiaries, and non-depositing members was based on 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. The mortality rates for disabled retirees were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
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The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown below are based on January 2019 information for a 7-10 year time horizon.

The valuation assumption for long-term expected return is re-assessed a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

The target allocation and best estimates of geometric real rates 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 (Expected minus Inflation) ⁽²⁾</u>
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities – Developed	MSCI World Ex USA (net) Index	10.00%	5.40%
International Equities – Emerging	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

⁽¹⁾ Target asset allocation adopted at the April 2019 TCDRS Board Meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.70%, per Cliffwater's 2019 capital market assumptions

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
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Discount Rate

The projected fiduciary net position was determined to be sufficient compared to projected benefit payments. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be sufficient to pay projected benefit payments in all future years. Therefore, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments (8.10%).

Changes in Net Pension Liability / (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2017	\$35,899,721	\$31,599,273	\$4,300,448
Changes for the year:			
Service cost	1,073,724	-	1,073,724
Interest on total pension liability	2,928,202	-	2,928,202
Effect of plan changes	(150,442)	-	(150,442)
Effect of economic/demographic gains or losses	143,741	-	143,741
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(65,831)	(65,831)	-
Benefit payments	(1,612,462)	(1,612,462)	-
Administrative expense	-	(24,756)	24,756
Member contributions	-	543,693	(543,693)
Net investment income	-	(590,482)	590,482
Employer contributions	-	973,986	(973,986)
Other changes	-	(1,611)	1,611
Balances as of December 31, 2018	<u>\$38,216,652</u>	<u>\$30,821,810</u>	<u>\$7,394,843</u>

Sensitivity Analysis

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Net pension liability	<u>\$12,265,123</u>	<u>\$7,394,843</u>	<u>\$3,292,850</u>

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

Pension Expense/(Income)

	<u>January 1, 2018 to December 31, 2018</u>
Service cost	\$1,073,724
Interest on total pension liability ⁽¹⁾	2,928,202
Effect of plan changes	(150,442)
Administrative expenses	24,756
Member contributions	(543,693)
Expected investment return net of investment expenses	(2,552,116)
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	(363,367)
Recognition of assumption changes or inputs	146,016
Recognition of investment gains or losses	810,056
Other ⁽²⁾	<u>1,611</u>
Pension income	<u>(\$1,374,747)</u>

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

⁽²⁾ Relates to allocation of system-wide items.

Deferred Outflows / Inflows of Resources

As of September 30, 2019, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 107,806	\$ 220,032
Change in assumptions	84,163	-
Net difference between projected and actual earnings	1,937,771	-
Contributions made subsequent to measurement date	<u>655,826</u>	<u>-</u>
Total	<u>\$2,785,566</u>	<u>\$ 220,032</u>

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

<u>Year Ended December 31:</u>	
2019	\$667,256
2020	312,186
2021	301,748
2022	628,518

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Group Term Life Program

A. Plan Description

A description of the OPEB plan pursuant to Paragraph 50 of GASB Statement No. 75 is as follows:

1. The County participates in the retiree Group Term Life (GTL) program for the TCDRS which is a statewide, multiple-employer, public employee retirement system.
2. A brief description of benefit terms:
 - a) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year and are eligible for the TCDRS pension plan. Only employers that have elected participation in the retiree GTL program are included in the OPEB plan.
 - b) The plan provides a \$5,000 post-retirement death benefit to beneficiaries of service retirees and disability retirees of employers that have elected participation in the retiree GTL program.
 - c) The OPEB benefit is a fixed \$5,000 lump-sum benefit.
 - d) No future increases are assumed in the \$5,000 benefit amount.
 - e) Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year.
3. Membership information is shown in the chart below.
4. Contributions made to the retiree GTL program are held in the GTL fund. The GTL fund does not meet the requirements of a trust under Paragraph 4b of GASB 75, as the assets of the GTL fund can be used to pay active GTL benefits which are not part of the OPEB plan.
5. Benefit terms are established under the TCDRS Act. Participation in the retiree GTL program is optional and the employer may elect to opt out of (or opt into) coverage as of January 1 each year. The County's contribution rate for the retiree GTL program is calculated annually on an actuarial basis and is equal to the cost of providing a one-year death benefit equal to \$5,000.

B. Membership Information

<u>Members</u>	<u>12/31/17</u>	<u>12/31/18</u>
Number of inactive employees entitled to but not yet receiving benefits ⁽¹⁾	28	32
Number of active employees	166	167
Average age of active employees	49.17	47.33
Average length of service in years for active employees	11.37	11.56
 <u>Inactive Employees Receiving Benefits ⁽¹⁾</u>		
Number of benefit recipients ⁽¹⁾	91	101

⁽¹⁾ "Receiving benefits" indicates the member is retired and receiving monthly pension benefits, and his or her beneficiary is eligible for the \$5,000 lump sum upon the retiree's death.

C. Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial assumptions and methods that determined the total OPEB liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 – December 31, 2016, except where required to be different by GASB 75.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method: Recognition of economic/demographic gains or losses	Straight-line amortization over expected working life
Recognition of assumptions changes or inputs	Straight-line amortization over expected working life
Asset Valuation Method	Does not apply
Inflation	Does not apply
Salary Increases	Does not apply
Investment Rate of Return (Discount Rate)	4.10% (20-year Bond GO Index published by bondbuyer.com as of 12/27/18)
Cost-of-Living Adjustment	Does not apply
Disability	The rates of disability range from .000% to .018% for work-related disability and .000% to .27% for all other causes depending on age.
Mortality: Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Retirement	Members eligible for service retirement range from 4.5% to 22% for both male and females depending on age.
Other Termination of Employment	Annual rates for termination range from 0.0% to 33.4% for males and 0.0% to 36.2% for females depending on entry age and years of service.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

D. Changes in Total OPEB Liability

	<u>Changes in Total OPEB Liability</u>
Balances as of December 31, 2017	\$421,717
Changes for the year:	
Service cost	13,994
Interest on total OPEB liability ⁽¹⁾	14,803
Changes of benefit terms ⁽²⁾	-
Effect of economic/demographic (gains) or losses	10,291
Effect of assumptions changes or inputs ⁽³⁾	(45,807)
Benefit payments	(10,874)
Other	<u>-</u>
Balance as of December 31, 2018	<u>\$404,124</u>

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

⁽²⁾ No plan changes valued.

⁽³⁾ Reflects change in discount rate and the new assumptions adopted based on the January 1, 2013 – December 31, 2016 Investigation of Experience.

Sensitivity Analysis

The following presents the total OPEB liability of the County, calculated using the discount rate of 4.10%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease <u>3.10%</u>	Current Discount Rate <u>4.10%</u>	1% Increase <u>5.10%</u>
Total OPEB liability	<u>\$476,593</u>	<u>\$404,124</u>	<u>\$347,046</u>

E. OPEB Expense

	<u>January 1, 2018 to December 31, 2018</u>
Service cost	\$13,994
Interest on total pension liability ⁽¹⁾	14,803
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources:	
Recognition of economic/demographic gains or losses	490
Recognition of assumption changes or inputs	(6,223)
Other	<u>-</u>
OPEB expense	<u>\$23,064</u>

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

F. Deferred Outflows / Inflows of Resources

As of September 30, 2019, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,233	\$6,270
Changes of assumptions	11,751	36,646
Contributions made subsequent to measurement date	<u>22,961</u>	<u>-</u>
Total	<u>\$42,945</u>	<u>\$42,916</u>

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

<u>Year Ended December 31:</u>	
2019	(\$5,733)
2020	(\$5,733)
2021	(\$5,733)
2022	(\$5,733)

Retiree Health Care Plan

The County administers the Palo Pinto County Retiree Health Care Plan for retired employees.

A. Plan Description

Pre-65 Plan – Any employee who meets the retirement eligibility requirements of the TCDRS, and who leaves the employ of the County may, upon retirement, elect to remain on the County’s group medical until the retiree reaches age 65 or qualifies for Medicare. The County pays 100% of the total monthly premium prescribed in the current health plan for retired participants who continue coverage. The retired employee may continue coverage for dependents, if he or she pays the entire premium for the dependent. Premiums are determined annually by estimating the amount needed to cover projected claims. The benefit is subject to annual appropriations by the Commissioners’ Court.

Post-65 Plan – Retirees may purchase a Medicare supplement policy without prescription drug coverage for a reduced premium. Retirees have the option to purchase prescription drug coverage to which the County does not contribute. Spouses may receive the same plan at retiree’s expense. Premiums and benefits are subject to change each year. Percent of premium paid by County is subject to change with the intent of leaving the dollar amount of benefit the same. The benefit is subject to annual appropriations by the Commissioners’ Court.

B. Demographic Information

<u>Status</u>	<u>9/30/18</u>	<u>9/30/19</u>
Active – Employee Only	86	86
Active – Employee and Dependent	53	53
Retired – Employee Only	17	17
Retired – Employee and Dependent	2	2

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

C. Actuarial Methods and Assumptions Used for GASB Calculations

GASB accounting methodology were used to determine the post-retirement medical benefit obligations.

Actuarial Method	Individual Entry Age Normal Cost Method – Level Percentage of Projected Salary
Service Cost	Determined for each employee as the Actuarial Present Value of Benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each participant's service between date of hire and date expected termination.
Total OPEB Liability	The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.
Discount Rate	4.06% (1.06% real rate of return plus 3.00% inflation)
Average Per Capita Claim Cost	The medical claim cost ranges from \$7,438 at age 50 to \$11,250 at age 64 and the Medicare supplement annual premium of \$3,151 is used for the per capita claims cost for age 65 and older.
Health Care Cost Trend	Level 5.00%
Effect of ACA	The excess coverage excise tax penalty of the Affordable Care Act has been postponed until the plan year beginning in 2022 and is not included in the projection of benefits in this valuation. This plan has current medical costs well under the limits in current law. Current legislative discussion include both repeal of the excise tax and postponement beyond 2022.
Mortality	RPH-2014 Total Table with Projection MP-2018
Turnover	Rates varying based on gender, age and select and ultimate at 15 years. Rates are based on the TCDRS actuarial assumptions from the 2017 retirement plan valuation report. The rates vary by entry age, gender and years. For males the rates range from 2.4% to 33.4% and for females the rates range from 2.7% to 36.2%.
Disability	None assumed
Retirement Rates	The retirement rates were developed from the assumption used in the 2017 actuarial report for the TCDRS retirement plans. The rates are unisex and range from 10% at age 50 to 25% at age 65.
Retiree Contributions	The retiree pays the full additional dependent contribution rate to age 65 and 65% of the Medicare supplement premium.
Salary Scale	3.50%

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

Data Assumptions - Coverage	100% of all who currently have healthcare coverage will continue with the same coverage until eligibility for Medicare. 100% of all actives who currently have healthcare coverage will continue with coverage upon retirement. For those with family coverage 25% will elect to continue with coverage including the spouse and the remainder will elect individual coverage. Spouse coverage is to age 65.
Valuation Date	September 30, 2019
Measurement Date	September 30, 2019

D. Changes in Total OPEB Liability

	<u>Changes in Total OPEB Liability</u>
Balances as of September 30, 2018	\$3,964,521
Changes for the year:	
Service cost	257,481
Interest cost	157,617
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Other changes	-
Contributions-employer	-
Net investment income	-
Benefit payments	(164,666)
Administrative expense	-
	<u> -</u>
Balance as of September 30, 2019	<u>\$4,214,953</u>

Sensitivity Analysis of the Discount and Trend Rate

Discount Rate

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

	1% Decrease <u>3.06%</u>	Current Discount Rate <u>4.06%</u>	1% Increase <u>5.06%</u>
Total OPEB liability	<u>\$3,642,710</u>	<u>\$4,214,953</u>	<u>\$4,939,935</u>

Trend Rate

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

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

	1% Decrease <u>4.00%</u>	Current Discount Rate <u>5.00%</u>	1% Increase <u>6.00%</u>
Total OPEB liability	<u>\$4,805,008</u>	<u>\$4,214,953</u>	<u>\$3,734,274</u>

E. OPEB Expense

	October 1, 2018 to <u>September 30, 2019</u>
Service cost at October 1, 2018	\$257,481
Interest cost (including interest on Service Cost)	157,617
Changes of benefit terms	-
Current recognized deferred outflows (inflows)	-
Difference between expected and actual experience	-
Changes in assumptions or other inputs	-
Other changes, if significant	-
Difference of projected investment earnings	<u>-</u>
Total OPEB expense as of September 30, 2019	<u>\$415,098</u>

F. Deferred Outflows / Inflows of Resources

As of September 30, 2019, the deferred outflows and inflows of resources are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions/inputs	-	-
Net difference between projected and actual investments	-	-
Contributions made subsequent to measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$ -</u>

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

<u>Year Ended December 31:</u>	
2019	\$ -
2020	-
2021	-
2022	-
2023	-

The combined total OPEB liability, OPEB related deferred outflows of resources and OPEB related deferred inflows of resources of the Group Term Life Program and the Retiree Health Care Plan is as follows:

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

Total OPEB Liability	\$4,619,077
Deferred Outflows of Resources	42,945
Deferred Inflows of Resources	42,916

12. DEFERRED COMPENSATION PLAN

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code 457. The plans, available to all County employees on a voluntary basis, permit them to defer a portion of their salaries until future years. The County does not make any contributions to the plans.

Deferred compensation is available to employees' beneficiaries in case of death. One plan is through the National Association of Counties and its assets are administered by Nationwide Retirement Solutions, an independent third-party administrator. The second plan's assets are managed by ITT Hartford, an independent administrator. All amounts of compensation deferred under the plans, all property and rights purchased with those amounts and all income attributed to those amounts, property or rights are solely the property and rights of the participants.

13. JUDICIAL ASSESSMENT RECEIVABLES

At September 30, 2019, the County has not recorded the receivables from judicial assessments in the accompanying financial statements; nor have they been recorded in the prior year. Though these amounts are significant, the County has not determined the allowances for uncollectible amounts for recording them at year end. Consequently, the effects on the financial statements of not including the judicial assessment receivables are not reasonably determinable.

14. NET POSITION/FUND BALANCES

The Governmental Activities' net position consisted of the following at September 30, 2019:

Net investment in capital assets	<u>\$11,748,239</u>
Restricted:	
General Government	883,783
Administration of Justice	254,083
Public Safety	208,750
Corrections and Rehabilitation	106,717
Community and Economic Development	<u>140,003</u>
Total restricted	<u>1,593,336</u>
Unrestricted	<u>5,189,986</u>
Total net position	<u>\$18,531,561</u>

The Governmental Funds' fund balances consisted of the following at September 30, 2019:

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepays	\$ 272,120	\$ -	\$ 272,120
Inventories	63,959	-	63,959
Total nonspendable	<u>336,079</u>	<u>-</u>	<u>336,079</u>
Restricted:			
General Government	-	883,783	883,783
Administration of Justice	-	254,083	254,083
Public Safety	15,272	193,478	208,750
Corrections and Rehabilitation	-	106,717	106,717
Community and Economic Development	-	140,003	140,003
Total restricted	<u>15,272</u>	<u>1,578,064</u>	<u>1,593,336</u>
Committed:			
General Government	11,744	-	11,744
Health and Human Services	-	7,575	7,575
Infrastructure and Environmental Services	16,885	1,707,984	1,724,869
Total committed	<u>28,629</u>	<u>1,715,559</u>	<u>1,744,188</u>
Assigned:			
2019-20 budget deficit	1,542,425	-	1,542,425
Total assigned	<u>1,542,425</u>	<u>-</u>	<u>1,542,425</u>
Unassigned	<u>10,966,307</u>	<u>-</u>	<u>10,966,307</u>
Total fund balances	<u>\$12,888,712</u>	<u>\$3,293,623</u>	<u>\$16,182,335</u>

15. PRIOR PERIOD ADJUSTMENTS

Ad Valorem Tax Refund

In March 2018, the Texas Supreme Court ruled in the case of J.W. Power Compressor vs. Galveston Central Appraisal District concerning the taxing of compressors. As a result of the ruling, entities that levied ad valorem taxes on such compressors were required to return the ad valorem taxes to the entities that paid the taxes. The County was required to refund \$164,444 in the current year. Therefore, the prior years' tax revenues were overstated by this amount and the current year financial statements required a prior period adjustment to beginning general fund unassigned fund balance and governmental activities unrestricted net position that reduced the balances as of October 1, 2018 by \$164,444.

16. SUBSEQUENT EVENTS

Waste-Water Treatment Plant

The County approved an issuance of \$500,000 of certificates of obligation to help fund a new waste-water treatment plant with an estimated cost of \$3,000,000. At September 30, 2019, the engineer had been contracted but no costs had been incurred. The County plans to issue the certificates of obligation in March 2020.

PALO PINTO COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS (CONT'D.)
SEPTEMBER 30, 2019

County Annex

In January 2020, County exchanged real property for a net cost of \$1,300,000 in the City of Mineral Wells to develop a new County Annex. The additional cost for renovating the property has not been determined.

REQUIRED SUPPLEMENTARY INFORMATION

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

PALO PINTO COUNTY, TEXAS
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 11,647,535	\$ 11,647,535	\$ 11,773,896	\$ 126,361
Sales taxes	1,400,000	1,400,000	1,539,385	139,385
Mixed beverage tax	43,000	43,000	52,114	9,114
Licenses, fees and fines	2,506,510	2,506,510	2,597,700	91,190
Federal and state grants	210,000	236,383	234,843	(1,540)
Inmate revenue	85,000	93,000	103,454	10,454
Interest earned	137,700	137,700	224,425	86,725
Other revenue	169,550	170,050	234,403	64,353
Total revenues	16,199,295	16,234,178	16,760,220	526,042
Expenditures				
29th District Court	538,936	566,936	542,433	24,503
Commissioners' Court	51,906	52,066	51,146	920
Constable	425,322	425,322	408,919	16,403
County Attorney	276,212	276,550	258,461	18,089
County Auditor	272,647	273,153	270,978	2,175
County Clerk	336,129	336,129	321,686	14,443
County Court	209,931	210,699	193,075	17,624
County Extension Service	105,755	116,244	115,270	974
County Treasurer	134,865	135,025	132,423	2,602
District Attorney	351,292	351,835	337,395	14,440
District Clerk	239,695	239,695	231,755	7,940
Election Administration	182,022	182,182	174,078	8,104
Emergency Management	123,026	123,186	110,224	12,962
Emergency Medical & Health Services	533,300	533,300	533,300	-
General Operations	3,260,085	3,241,847	3,030,274	211,573
Health Services	10,000	10,000	10,000	-
Information Technology	144,265	144,439	137,451	6,988
Jail and Detention	2,427,862	2,555,462	2,417,550	137,912
Justice of the Peace	581,296	583,663	567,094	16,569
Narcotics Unit	174,239	167,563	157,777	9,786
Public Works	424,938	425,562	392,387	33,175
Road and Bridge:				
Precinct No. 1	650,236	661,240	582,316	78,924
Precinct No. 2	878,181	1,170,781	939,637	231,144
Precinct No. 3	753,201	874,902	738,319	136,583
Precinct No. 4	666,994	856,069	710,264	145,805
Sheriff	1,996,709	1,919,709	1,763,243	156,466
Tax Assessor-Collector	593,168	592,916	565,329	27,587
Veterans' Administration	61,820	26,820	22,819	4,001
Total expenditures	16,404,032	17,053,295	15,715,603	1,337,692
Excess (deficiency) of revenues over (under) expenditures before other sources and (uses)	(204,737)	(819,117)	1,044,617	1,863,734

PALO PINTO COUNTY, TEXAS
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
Other sources and (uses):				
Proceeds from the issuance of capital leases	-	536,275	536,275	-
Proceeds from the sale of capital assets	-	85,997	112,572	26,575
Transfers in	-	30,000	-	(30,000)
Transfers out	(715,500)	(753,392)	(715,500)	37,892
Total other sources and (uses)	(715,500)	(101,120)	(66,653)	34,467
Net change in fund balances	(920,237)	(920,237)	977,964	1,898,201
Fund balances, beginning of year, as originally stated	12,075,192	12,075,192	12,075,192	-
Prior period adjustment	(164,444)	(164,444)	(164,444)	(164,444)
Fund balances, beginning of year, as restated	11,910,748	11,910,748	11,910,748	(164,444)
Fund balances, end of year	<u>\$ 10,990,511</u>	<u>\$ 10,990,511</u>	<u>\$ 12,888,712</u>	<u>\$ 1,733,757</u>

PALO PINTO COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total Pension Liability										
Service cost	\$ 1,073,724	\$ 995,107	\$ 1,207,726	\$ 1,046,808	\$ 1,018,218	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	2,928,202	2,546,892	2,503,133	2,523,339	2,357,748	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	(150,442)	2,847,868	(3,403,227)	(192,524)	-	N/A	N/A	N/A	N/A	N/A
Effect of plan changes or inputs	-	168,325	-	415,741	-	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	143,741	(272,062)	(336,008)	(989,135)	(109,415)	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,678,293)	(1,636,946)	(1,373,929)	(1,336,135)	(1,354,829)	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	2,316,932	4,649,184	(1,402,305)	1,468,094	1,911,722	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	35,899,721	31,250,537	32,652,842	31,184,748	29,273,026	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	<u>\$ 38,216,653</u>	<u>\$ 35,899,721</u>	<u>\$ 31,250,537</u>	<u>\$ 32,652,842</u>	<u>\$ 31,184,748</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary Net Position										
Employer contributions	\$ 973,986	\$ 856,180	\$ 868,018	\$ 887,413	\$ 836,369	N/A	N/A	N/A	N/A	N/A
Member contributions	543,693	536,931	512,318	517,657	483,850	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(590,482)	4,055,653	1,923,170	(48,568)	1,684,170	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(1,678,293)	(1,636,946)	(1,373,929)	(1,336,135)	(1,354,829)	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(24,756)	(21,015)	(20,966)	(18,878)	(19,747)	N/A	N/A	N/A	N/A	N/A
Other	(1,611)	(3,489)	(180,009)	(322,305)	(93,265)	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	(777,463)	3,787,314	1,728,602	(320,816)	1,536,548	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	31,599,273	27,811,959	26,083,357	26,404,173	24,867,625	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	<u>\$ 30,821,810</u>	<u>\$ 31,599,273</u>	<u>\$ 27,811,959</u>	<u>\$ 26,083,357</u>	<u>\$ 26,404,173</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 7,394,843</u>	<u>\$ 4,300,448</u>	<u>\$ 3,438,578</u>	<u>\$ 6,569,485</u>	<u>\$ 4,780,575</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	<u>80.65%</u>	<u>88.02%</u>	<u>89.00%</u>	<u>79.88%</u>	<u>84.67%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll	<u>\$ 7,767,043</u>	<u>\$ 7,497,204</u>	<u>\$ 7,318,831</u>	<u>\$ 7,395,103</u>	<u>\$ 6,912,147</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability as a % of covered payroll	<u>95.21%</u>	<u>57.36%</u>	<u>46.98%</u>	<u>88.84%</u>	<u>69.16%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

PALO PINTO COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

<u>Year Ending December 31,</u>	<u>Actuarially Determined Contribution (1)</u>	<u>Actual Employer Contribution (1)</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll (2)</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2009	\$ 681,427	\$ 881,427	\$ (200,000)	\$ 6,211,733	14.2%
2010	666,829	866,829	(200,000)	6,232,046	13.9%
2011	657,457	657,457	-	6,121,549	10.7%
2012	692,767	692,767	-	6,338,220	10.9%
2013	769,860	769,860	-	6,694,417	11.5%
2014	836,369	836,369	-	6,912,147	12.1%
2015	887,413	887,413	-	7,395,103	12.0%
2016	868,018	868,018	-	7,318,831	11.9%
2017	856,180	856,180	-	7,497,204	11.4%
2018	973,986	973,986	-	7,767,043	12.5%

(1) TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS.

(2) Payroll is calculated based on contributions as reported to TCDRS.

PALO PINTO COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service cost	\$ 13,994	\$ 12,537	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total OPEB liability	14,803	15,226	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	(45,807)	17,627	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) or losses	10,291	(9,405)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(10,874)	(8,997)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	(17,593)	26,988	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	421,717	394,729	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	<u>\$ 404,124</u>	<u>\$ 421,717</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll	<u>\$ 7,767,043</u>	<u>\$ 7,497,204</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net OPEB liability as a % of covered payroll	<u>5.20%</u>	<u>5.62%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

PALO PINTO COUNTY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER OTHER POST EMPLOYMENT BENEFIT (OPEB) CONTRIBUTIONS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 27,958	\$ 25,491
Contributions in relation to the contractually required contribution	<u>(27,958)</u>	<u>(25,491)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 7,767,043</u>	<u>\$ 7,497,204</u>
Contributions as a percentage of pensionable covered payroll	<u>0.36%</u>	<u>0.34%</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been prepared.

Note - the contractually required contribution is for the County's indicated fiscal year.

PALO PINTO COUNTY, TEXAS

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
PALO PINTO COUNTY RETIREE HEALTH CARE PLAN**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Total OPEB Liability										
Service cost	\$ 257,481	\$ 247,435	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest cost	157,617	157,892	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Change of benefit terms	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Difference between expected and actual experience	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes in assumptions	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other changes	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions-employer	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(164,666)	(164,666)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expense	-	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	250,432	240,661	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	3,964,521	3,723,860	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending (a)	<u>\$ 4,214,953</u>	<u>\$ 3,964,521</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Covered payroll	<u>\$ 6,627,588</u>	<u>\$ 6,627,588</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net OPEB liability as a % of covered payroll	<u>63.60%</u>	<u>59.82%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 74/75, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

PALO PINTO COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2019

BUDGET

Annual budgets are adopted on the GAAP basis of accounting for all governmental funds except capital project funds. All annual appropriations lapse at fiscal year-end.

The County Judge is, by statute, the Budget Officer of the County and has the responsibility of preparing the County's budget. Under the County's budgeting procedures, each department submits a budget request to the County Judge. The County Judge reviews budget requests and holds informal hearings when needed. Before October 1, a proposed budget is presented to the Commissioners' Court. A public hearing is then held and the Commissioners' Court takes action on the proposed budget. Before determining the final budget, the Commissioners' Court may increase or decrease the amounts requested by the various departments. Amounts finally budgeted may not exceed the estimate of revenues and available fund balance.

Once the budget has been adopted by the Commissioners' Court, the County Auditor is responsible for monitoring the expenditures of the various departments of the County to prevent expenditures from exceeding budgeted appropriations and for keeping members of the Commissioners' Court advised of the conditions of the various funds and accounts.

The appropriated budget is prepared by fund. Any transfers of appropriations are first approved by the Commissioners' Court. No amendments may be made without Commissioners' Court approval to the total budget for each department within a fund. Thus, the legal level of budgetary control is at the department level. No supplemental appropriations were required during the year.

DEFINED BENEFIT PENSION PLAN

Texas County and District Retirement System

Changes in benefit terms or assumptions

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

DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

Texas County and District Retirement System

Changes in benefit terms or assumptions

The only changes of benefit terms or assumptions that affected measurement of the total OPEB liability during the measurement period was an increase to the investment rate of return (discount rate) from 3.44% to 4.10%.

Palo Pinto County Retiree Health Care Plan

Changes in benefit terms or assumptions

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

***COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS
AS SUPPLEMENTARY INFORMATION***

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

PALO PINTO COUNTY, TEXAS
COMBINING BALANCE SHEET - GENERAL FUND
SEPTEMBER 30, 2019

	10 General Fund	11/12/13/14 Road and Bridge Fund	Total
ASSETS			
Cash	\$ 296,672	\$ 46,306	\$ 342,978
Investments	9,678,732	2,984,540	12,663,272
Receivables, net:			
Property taxes	201,928	36,185	238,113
Sales tax	223,395	-	223,395
Accounts	105,559	30,878	136,437
Due from other funds	139,499	33,317	172,816
Prepaid expenses	249,017	23,103	272,120
Inventory	3,384	60,575	63,959
Total assets	<u>\$ 10,898,186</u>	<u>\$ 3,214,904</u>	<u>\$ 14,113,090</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 308,054	\$ 171,135	\$ 479,189
Accrued liabilities	400,411	36,081	436,492
Due to other funds	4,214	-	4,214
Due to others	66,370	-	66,370
Total liabilities	<u>779,049</u>	<u>207,216</u>	<u>986,265</u>
Deferred inflows of resources:			
Unavailable property taxes	<u>201,928</u>	<u>36,185</u>	<u>238,113</u>
Fund balances:			
Nonspendable	252,401	83,678	336,079
Restricted	15,272	-	15,272
Committed	28,629	-	28,629
Assigned	948,992	593,433	1,542,425
Unassigned	8,671,915	2,294,392	10,966,307
Total fund balances	<u>9,917,209</u>	<u>2,971,503</u>	<u>12,888,712</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,898,186</u>	<u>\$ 3,214,904</u>	<u>\$ 14,113,090</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	10 General Fund	11/12/13/14 Road and Bridge Fund	Total
Revenues			
Property taxes	\$ 10,007,861	\$ 1,766,035	\$ 11,773,896
Sales taxes	1,539,385	-	1,539,385
Mixed beverage tax	52,114	-	52,114
Licenses, fees and fines	1,904,032	693,668	2,597,700
Federal and state grants	234,843	-	234,843
Inmate revenue	103,454	-	103,454
Interest earned	174,583	49,842	224,425
Other revenue	234,403	-	234,403
Total revenues	<u>14,250,675</u>	<u>2,509,545</u>	<u>16,760,220</u>
Expenditures			
29th District Court	542,433	-	542,433
Commissioners' Court	51,146	-	51,146
Constable	408,919	-	408,919
County Attorney	258,461	-	258,461
County Auditor	270,978	-	270,978
County Clerk	321,686	-	321,686
County Court	193,075	-	193,075
County Extension Service	115,270	-	115,270
County Treasurer	132,423	-	132,423
District Attorney	337,395	-	337,395
District Clerk	231,755	-	231,755
Election Administration	174,078	-	174,078
Emergency Management	110,224	-	110,224
Emergency Medical & Health Services	533,300	-	533,300
General operations	3,030,274	-	3,030,274
Health services	10,000	-	10,000
Information Technology	137,451	-	137,451
Jail and detention	2,417,550	-	2,417,550
Justice of the Peace	567,094	-	567,094
Narcotics Unit	157,777	-	157,777
Public Works	392,387	-	392,387
Road and Bridge:			
Precinct No. 1	-	582,316	582,316
Precinct No. 2	-	939,637	939,637
Precinct No. 3	-	738,319	738,319
Precinct No. 4	-	710,264	710,264
Sheriff	1,763,243	-	1,763,243
Tax Assessor-Collector	565,329	-	565,329
Veteran's Administration	22,819	-	22,819
Total expenditures	<u>12,745,067</u>	<u>2,970,536</u>	<u>15,715,603</u>
Excess of revenues over (under) expenditures before other sources and (uses)	<u>1,505,608</u>	<u>(460,991)</u>	<u>1,044,617</u>
Other sources and (uses):			
Proceeds from the issuance of capital leases	-	536,275	536,275
Proceeds from the sale of capital assets	26,575	85,997	112,572
Transfers in	7,892	30,000	37,892
Transfers out	<u>(715,500)</u>	<u>(37,892)</u>	<u>(753,392)</u>
Total other sources and (uses)	<u>(681,033)</u>	<u>614,380</u>	<u>(66,653)</u>
Net change in fund balances	<u>824,575</u>	<u>153,389</u>	<u>977,964</u>
Fund balances, beginning of year, as originally stated	9,232,411	2,842,781	12,075,192
Prior period adjustment	<u>(139,777)</u>	<u>(24,667)</u>	<u>(164,444)</u>
Fund balances, beginning of year, as restated	<u>9,092,634</u>	<u>2,818,114</u>	<u>11,910,748</u>
Fund balances, end of year	<u>\$ 9,917,209</u>	<u>\$ 2,971,503</u>	<u>\$ 12,888,712</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General (10)		Variance Favorable (Unfavorable)
	Final Budget	Actual	
Revenues			
Property taxes	\$ 9,900,706	\$ 10,007,861	\$ 107,155
Sales taxes	1,400,000	1,539,385	139,385
Mixed beverage tax	43,000	52,114	9,114
Licenses, fees and fines	1,836,510	1,904,032	67,522
Federal and state grants	236,383	234,843	(1,540)
Inmate revenue	93,000	103,454	10,454
Interest earned	105,000	174,583	69,583
Other revenue	168,800	234,403	65,603
Total revenues	13,783,399	14,250,675	467,276
Expenditures			
29th District Court	566,936	542,433	24,503
Commissioners' Court	52,066	51,146	920
Constable	425,322	408,919	16,403
County Attorney	276,550	258,461	18,089
County Auditor	273,153	270,978	2,175
County Clerk	336,129	321,686	14,443
County Court	210,699	193,075	17,624
County Extension Service	116,244	115,270	974
County Treasurer	135,025	132,423	2,602
District Attorney	351,835	337,395	14,440
District Clerk	239,695	231,755	7,940
Election Administration	182,182	174,078	8,104
Emergency Management	123,186	110,224	12,962
Emergency Medical & Health Services	533,300	533,300	-
General operations	3,241,847	3,030,274	211,573
Health services	10,000	10,000	-
Information Technology	144,439	137,451	6,988
Jail and detention	2,555,462	2,417,550	137,912
Justice of the Peace	583,663	567,094	16,569
Narcotics Unit	167,563	157,777	9,786
Public Works	425,562	392,387	33,175
Road and Bridge:			
Precinct No. 1	-	-	-
Precinct No. 2	-	-	-
Precinct No. 3	-	-	-
Precinct No. 4	-	-	-
Sheriff	1,919,709	1,763,243	156,466
Tax Assessor-Collector	592,916	565,329	27,587
Veteran's Administration	26,820	22,819	4,001
Total expenditures	13,490,303	12,745,067	745,236
Excess (deficiency) of revenues over (under) expenditures before other sources and (uses)	293,096	1,505,608	1,212,512
Other sources and (uses):			
Proceeds from the issuance of capital leases	-	-	-
Proceeds from the sale of capital assets	-	26,575	26,575
Transfers in	-	7,892	7,892
Transfers out	(715,500)	(715,500)	-
Total other sources and (uses):	(715,500)	(681,033)	34,467
Net change in fund balances	(422,404)	824,575	1,246,979
Fund balances, beginning of year, as originally stated	9,232,411	9,232,411	-
Prior period adjustment	(139,777)	(139,777)	-
Fund balances, beginning of year, as restated	9,092,634	9,092,634	-
Fund balances, end of year	\$ 8,670,230	\$ 9,917,209	\$ 1,246,979

Road and Bridge (11/12/13/14)			Total		
Final Budget	Actual	Variance Favorable (Unfavorable)	Final Budget	Actual	Variance Favorable (Unfavorable)
\$ 1,746,829	\$ 1,766,035	\$ 19,206	\$ 11,647,535	\$ 11,773,896	\$ 126,361
-	-	-	1,400,000	1,539,385	139,385
-	-	-	43,000	52,114	9,114
670,000	693,668	23,668	2,506,510	2,597,700	91,190
-	-	-	236,383	234,843	(1,540)
-	-	-	93,000	103,454	10,454
32,700	49,842	17,142	137,700	224,425	86,725
1,250	-	(1,250)	170,050	234,403	64,353
<u>2,450,779</u>	<u>2,509,545</u>	<u>58,766</u>	<u>16,234,178</u>	<u>16,760,220</u>	<u>526,042</u>
-	-	-	566,936	542,433	24,503
-	-	-	52,066	51,146	920
-	-	-	425,322	408,919	16,403
-	-	-	276,550	258,461	18,089
-	-	-	273,153	270,978	2,175
-	-	-	336,129	321,686	14,443
-	-	-	210,699	193,075	17,624
-	-	-	116,244	115,270	974
-	-	-	135,025	132,423	2,602
-	-	-	351,835	337,395	14,440
-	-	-	239,695	231,755	7,940
-	-	-	182,182	174,078	8,104
-	-	-	123,186	110,224	12,962
-	-	-	533,300	533,300	-
-	-	-	3,241,847	3,030,274	211,573
-	-	-	10,000	10,000	-
-	-	-	144,439	137,451	6,988
-	-	-	2,555,462	2,417,550	137,912
-	-	-	583,663	567,094	16,569
-	-	-	167,563	157,777	9,786
-	-	-	425,562	392,387	33,175
661,240	582,316	78,924	661,240	582,316	78,924
1,170,781	939,637	231,144	1,170,781	939,637	231,144
874,902	738,319	136,583	874,902	738,319	136,583
856,069	710,264	145,805	856,069	710,264	145,805
-	-	-	1,919,709	1,763,243	156,466
-	-	-	592,916	565,329	27,587
-	-	-	26,820	22,819	4,001
<u>3,562,992</u>	<u>2,970,536</u>	<u>592,456</u>	<u>17,053,295</u>	<u>15,715,603</u>	<u>1,337,692</u>
(1,112,213)	(460,991)	651,222	(819,117)	1,044,617	1,863,734
536,275	536,275	-	536,275	536,275	-
85,997	85,997	-	85,997	112,572	26,575
30,000	(7,892)	(37,892)	30,000	-	(30,000)
(37,892)	-	37,892	(753,392)	(715,500)	37,892
<u>614,380</u>	<u>614,380</u>	<u>-</u>	<u>(101,120)</u>	<u>(66,653)</u>	<u>34,467</u>
(497,833)	153,389	651,222	(920,237)	977,964	1,898,201
2,842,781	2,842,781	-	12,075,192	12,075,192	-
(24,667)	(24,667)	-	(164,444)	(164,444)	(164,444)
<u>2,818,114</u>	<u>2,818,114</u>	<u>-</u>	<u>11,910,748</u>	<u>11,910,748</u>	<u>(164,444)</u>
<u>\$ 2,320,281</u>	<u>\$ 2,971,503</u>	<u>\$ 651,222</u>	<u>\$ 10,990,511</u>	<u>\$ 12,888,712</u>	<u>\$ 1,733,757</u>

PALO PINTO COUNTY, TEXAS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Special Revenue Funds					
	20	23	24	25	30	32
	Commissary	Historical Commission	Marlow Cemetery Trust	County Attorney	District Attorney Fees	Tax Assessor- Collector
ASSETS						
Cash	\$ 106,854	\$ 20,267	\$ 963	\$ 159	\$ 1,553	\$ 6,533
Investments	-	-	-	-	-	-
Receivables, net:						
Occupancy taxes	-	-	-	-	-	-
Accounts	11	-	-	-	-	-
Due from other funds	-	-	-	266	-	17
Total assets	<u>\$ 106,865</u>	<u>\$ 20,267</u>	<u>\$ 963</u>	<u>\$ 425</u>	<u>\$ 1,553</u>	<u>\$ 6,550</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Due to others	148	-	-	-	-	-
Total liabilities	<u>148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:						
Restricted	106,717	20,267	-	425	1,553	6,550
Committed	-	-	963	-	-	-
Total fund balances	<u>106,717</u>	<u>20,267</u>	<u>963</u>	<u>425</u>	<u>1,553</u>	<u>6,550</u>
Total liabilities and fund balances	<u>\$ 106,865</u>	<u>\$ 20,267</u>	<u>\$ 963</u>	<u>\$ 425</u>	<u>\$ 1,553</u>	<u>\$ 6,550</u>

Special Revenue Funds							
35 Hotel/ Motel Fund	37 Co. Attorney Pretrial Intervention	42 District Attorney Forfeited	43 Constable Forfeited	45 Sheriff Forfeited	48 District Attorney State	49 Election Services Fund	50 County Clerk PRF
\$ 13,066	\$ 3,002	\$ 78,021	\$ 502	\$ 6,753	\$ 24,002	\$ 35,201	\$ 152,015
50,060	-	-	-	75,089	-	-	430,315
56,610	-	-	-	-	-	-	-
-	-	-	-	-	-	-	10,373
<u>\$ 119,736</u>	<u>\$ 3,002</u>	<u>\$ 78,021</u>	<u>\$ 502</u>	<u>\$ 81,842</u>	<u>\$ 24,002</u>	<u>\$ 35,201</u>	<u>\$ 592,703</u>
\$ -	\$ -	\$ 1,200	\$ -	\$ -	\$ -	\$ -	\$ 179
-	-	-	-	-	794	-	624
-	-	1,200	-	-	794	-	803
119,736	3,002	76,821	502	81,842	23,208	35,201	591,900
-	-	-	-	-	-	-	-
<u>119,736</u>	<u>3,002</u>	<u>76,821</u>	<u>502</u>	<u>81,842</u>	<u>23,208</u>	<u>35,201</u>	<u>591,900</u>
<u>\$ 119,736</u>	<u>\$ 3,002</u>	<u>\$ 78,021</u>	<u>\$ 502</u>	<u>\$ 81,842</u>	<u>\$ 24,002</u>	<u>\$ 35,201</u>	<u>\$ 592,703</u>

PALO PINTO COUNTY, TEXAS
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	Special Revenue Funds					
	51 District Clerk PRF	52 Preservation of Records	53 Juvenile Case Management	54 Law Library Fund	55 Courthouse Security Fund	56 Justice Technology Fund
ASSETS						
Cash	\$ 6,579	\$ 6,972	\$ 32,452	\$ 94,093	\$ 39,297	\$ 8,486
Investments	65,078	75,089	-	-	75,089	80,095
Receivables, net:						
Occupancy taxes	-	-	-	-	-	-
Accounts	-	-	-	-	-	-
Due from other funds	893	918	1,143	1,505	1,614	1,068
Total assets	<u>\$ 72,550</u>	<u>\$ 82,979</u>	<u>\$ 33,595</u>	<u>\$ 95,598</u>	<u>\$ 116,000</u>	<u>\$ 89,649</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 1,095	\$ -	\$ 10
Accrued liabilities	-	-	-	-	4,364	-
Due to others	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,095</u>	<u>4,364</u>	<u>10</u>
Fund balances:						
Restricted	72,550	82,979	33,595	94,503	111,636	89,639
Committed	-	-	-	-	-	-
Total fund balances	<u>72,550</u>	<u>82,979</u>	<u>33,595</u>	<u>94,503</u>	<u>111,636</u>	<u>89,639</u>
Total liabilities and fund balances	<u>\$ 72,550</u>	<u>\$ 82,979</u>	<u>\$ 33,595</u>	<u>\$ 95,598</u>	<u>\$ 116,000</u>	<u>\$ 89,649</u>

		Debt Service	Capital Projects Funds				Total
57	58	Fund	70	72	74	78	Other
Justice	Employee	62	70	72	74	78	Governmental
Court	Fund	Texas	Texas	Dempsey	Capital	Sewer	Funds
Security Fee	Fund	Capital	Capital	Facility	Improvement	Grant	
		Fund	Fund		Fund	Fund	
\$ 25,096	\$ 6,745	\$ -	\$ 100	\$ 132,449	\$ 529,239	\$ -	\$ 1,330,399
-	-	-	-	185,221	861,075	-	1,897,111
-	-	-	-	-	-	-	56,610
-	-	-	-	-	-	2,772	2,783
242	-	-	-	-	-	-	18,039
<u>\$ 25,338</u>	<u>\$ 6,745</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 317,670</u>	<u>\$ 1,390,314</u>	<u>\$ 2,772</u>	<u>\$ 3,304,942</u>
\$ -	\$ 133	\$ -	\$ -	\$ -	\$ -	\$ 2,772	\$ 5,389
-	-	-	-	-	-	-	5,782
-	-	-	-	-	-	-	148
-	133	-	-	-	-	2,772	11,319
25,338	-	-	100	-	-	-	1,578,064
-	6,612	-	-	317,670	1,390,314	-	1,715,559
<u>25,338</u>	<u>6,612</u>	<u>-</u>	<u>100</u>	<u>317,670</u>	<u>1,390,314</u>	<u>-</u>	<u>3,293,623</u>
<u>\$ 25,338</u>	<u>\$ 6,745</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 317,670</u>	<u>\$ 1,390,314</u>	<u>\$ 2,772</u>	<u>\$ 3,304,942</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds					
	20	23	24	25	30	32
	Commissary	Historical Commission	Marlow Cemetery Trust	County Attorney	District Attorney Fees	Tax Assessor- Collector
Revenues						
Occupancy tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and fines	-	-	-	1,652	12	889
Federal and state grants	-	-	-	-	-	-
Commissary revenue	88,010	-	-	-	-	-
Interest earned	-	141	8	-	-	44
Other revenue	-	8,040	-	-	-	-
Total revenues	88,010	8,181	8	1,652	12	933
Expenditures						
Capital projects	-	-	-	-	-	-
Commissary	62,744	-	-	-	-	-
County Attorney	-	-	-	1,662	-	-
County Clerk	-	-	-	-	-	-
Courthouse security	-	-	-	-	-	-
Debt Service - principal	-	-	-	-	-	-
District Attorney	-	-	-	-	-	-
General operations	-	5,608	200	-	-	-
Hotel/motel tax	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-
Vending expenditures	-	-	-	-	-	-
Total expenditures	62,744	5,608	200	1,662	-	-
Excess (deficiency) of revenues over (under) expenditures before other sources and (uses)	25,266	2,573	(192)	(10)	12	933
Other sources and (uses):						
Transfers in	-	500	-	-	-	-
Total other sources and (uses)	-	500	-	-	-	-
Net change in fund balances	25,266	3,073	(192)	(10)	12	933
Fund balances, beginning of year	81,451	17,194	1,155	435	1,541	5,617
Fund balances, end of year	\$ 106,717	\$ 20,267	\$ 963	\$ 425	\$ 1,553	\$ 6,550

Special Revenue Funds							
35 Hotel/ Motel Fund	37 Co. Attorney Pretrial Intervention	42 District Attorney Forfeited	43 Constable Forfeited	45 Sheriff Forfeited	48 District Attorney State	49 Election Services Fund	50 County Clerk PRF
\$ 160,054	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	3,000	-	-	-	-	1,787	133,993
-	-	-	-	-	27,500	-	-
629	2	575	4	768	26	278	8,043
-	-	1,658	-	2,535	-	4,600	-
<u>160,683</u>	<u>3,002</u>	<u>2,233</u>	<u>4</u>	<u>3,303</u>	<u>27,526</u>	<u>6,665</u>	<u>142,036</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	68,957
-	-	-	-	-	-	-	-
-	-	3,146	-	-	25,228	-	-
-	-	-	-	-	-	9,550	-
156,997	-	-	-	-	-	-	-
-	-	-	-	21,186	-	-	-
<u>156,997</u>	<u>-</u>	<u>3,146</u>	<u>-</u>	<u>21,186</u>	<u>25,228</u>	<u>9,550</u>	<u>68,957</u>
3,686	3,002	(913)	4	(17,883)	2,298	(2,885)	73,079
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,686	3,002	(913)	4	(17,883)	2,298	(2,885)	73,079
116,050	-	77,734	498	99,725	20,910	38,086	518,821
<u>\$ 119,736</u>	<u>\$ 3,002</u>	<u>\$ 76,821</u>	<u>\$ 502</u>	<u>\$ 81,842</u>	<u>\$ 23,208</u>	<u>\$ 35,201</u>	<u>\$ 591,900</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds					
	51 District Clerk PRF	52 Preservation of Records	53 Juvenile Case Management	54 Law Library Fund	55 Courthouse Security Fund	56 Justice Technology Fund
Revenues						
Occupancy tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and fines	11,857	12,524	17,286	21,035	20,804	13,620
Federal and state grants	-	-	-	-	-	-
Commissary revenue	-	-	-	-	-	-
Interest earned	530	618	221	633	1,026	697
Other revenue	-	-	-	-	-	-
Total revenues	12,387	13,142	17,507	21,668	21,830	14,317
Expenditures						
Capital projects	-	-	-	-	-	-
Commissary	-	-	-	-	-	-
County Attorney	-	-	-	-	-	-
County Clerk	-	-	-	-	-	-
Courthouse security	-	-	-	-	119,268	-
Debt Service - principal	-	-	-	-	-	-
District Attorney	-	-	-	-	-	-
General operations	-	786	18,000	11,235	-	12,132
Hotel/motel tax	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Sheriff	-	-	-	-	-	-
Vending expenditures	-	-	-	-	-	-
Total expenditures	-	786	18,000	11,235	119,268	12,132
Excess (deficiency) of revenues over (under) expenditures before other sources and (uses)	12,387	12,356	(493)	10,433	(97,438)	2,185
Other sources and (uses):						
Transfers in	-	-	-	-	130,000	-
Total other sources and (uses)	-	-	-	-	130,000	-
Net change in fund balances	12,387	12,356	(493)	10,433	32,562	2,185
Fund balances, beginning of year	60,163	70,623	34,088	84,070	79,074	87,454
Fund balances, end of year	\$ 72,550	\$ 82,979	\$ 33,595	\$ 94,503	\$ 111,636	\$ 89,639

		Debt Service	Capital Projects				Total
57	58	Fund	70	72	74	78	Other
Justice	Employee	62	70	72	74	78	Governmental
Court	Fund	Texas	Texas	Dempsey	Capital	Sewer	Funds
Security Fee		Capital	Capital	Facility	Improvement	Grant	
		Fund	Fund		Fund	Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,054
3,049	-	-	-	-	-	-	241,508
-	-	-	14,000	-	-	203,232	244,732
-	-	-	-	-	-	-	88,010
168	47	-	-	2,799	9,518	-	26,775
-	2,821	28,000	-	115,800	-	-	163,454
<u>3,217</u>	<u>2,868</u>	<u>28,000</u>	<u>14,000</u>	<u>118,599</u>	<u>9,518</u>	<u>203,232</u>	<u>924,533</u>
-	-	-	-	206,115	-	-	206,115
-	-	-	-	-	-	-	62,744
-	-	-	-	-	-	-	1,662
-	-	-	-	-	-	-	68,957
-	-	-	-	-	-	-	119,268
-	-	28,000	-	-	-	-	28,000
-	-	-	-	-	-	-	28,374
-	-	-	14,000	-	-	-	71,511
-	-	-	-	-	-	-	156,997
-	-	-	-	-	-	203,232	203,232
-	-	-	-	-	-	-	21,186
-	2,593	-	-	-	-	-	2,593
<u>-</u>	<u>2,593</u>	<u>28,000</u>	<u>14,000</u>	<u>206,115</u>	<u>-</u>	<u>203,232</u>	<u>970,639</u>
<u>3,217</u>	<u>275</u>	<u>-</u>	<u>-</u>	<u>(87,516)</u>	<u>9,518</u>	<u>-</u>	<u>(46,106)</u>
-	-	-	-	-	500,000	-	630,500
-	-	-	-	-	500,000	-	630,500
3,217	275	-	-	(87,516)	509,518	-	584,394
<u>22,121</u>	<u>6,337</u>	<u>-</u>	<u>100</u>	<u>405,186</u>	<u>880,796</u>	<u>-</u>	<u>2,709,229</u>
<u>\$ 25,338</u>	<u>\$ 6,612</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 317,670</u>	<u>\$ 1,390,314</u>	<u>\$ -</u>	<u>\$ 3,293,623</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
SEPTEMBER 30, 2019

	40 District Attorney Seized Funds	79 Sheriff's Department Civil Process	80 Tax Collection	81 Auto Registration	82 Justice of the Peace Precinct #2
Assets					
Cash	\$ 166,300	\$ 7,223	\$ 354,523	\$ 325,875	\$ 1,491
Investments	-	-	-	-	-
Other receivables	-	-	-	87	375
Due from other funds	-	-	-	-	-
Total assets	\$ 166,300	\$ 7,223	\$ 354,523	\$ 325,962	\$ 1,866
Liabilities					
Due to other funds	\$ -	\$ 2,723	\$ 61,485	\$ 42,302	\$ 1,429
Due to others	166,300	4,500	316,456	283,660	437
Total liabilities	\$ 166,300	\$ 7,223	\$ 377,941	\$ 325,962	\$ 1,866

83	84	85	87	88	89	90
Justice of the Peace Precinct #3	Justice of the Peace Precinct #4	Justice of the Peace Precinct #5	County Treasurer (Special)	County Clerk	Juvenile Rest	District Clerk
\$ 7,286	\$ 11,659	\$ 14,825	\$ 83,893	\$ 43,464	\$ 230	\$ 29,984
-	-	-	-	-	-	-
1,231	657	834	-	1,455	-	1,106
-	-	-	37,029	-	-	-
<u>\$ 8,517</u>	<u>\$ 12,316</u>	<u>\$ 15,659</u>	<u>\$ 120,922</u>	<u>\$ 44,919</u>	<u>\$ 230</u>	<u>\$ 31,090</u>
\$ 5,908	\$ 7,457	\$ 11,856	\$ 19	\$ 41,235	\$ 200	\$ 29,787
2,609	4,859	3,803	120,903	3,684	30	1,303
<u>\$ 8,517</u>	<u>\$ 12,316</u>	<u>\$ 15,659</u>	<u>\$ 120,922</u>	<u>\$ 44,919</u>	<u>\$ 230</u>	<u>\$ 31,090</u>

PALO PINTO COUNTY, TEXAS
COMBINING STATEMENT OF ASSETS AND LIABILITIES -
FIDUCIARY FUNDS
SEPTEMBER 30, 2019

	92	93	94	95	96
	Justice of the Peace Precinct #1	County Clerk	County Attorney	District Clerk	District Attorney
Assets					
Cash	\$ 19,972	\$ 52,403	\$ 4,982	\$ 308,573	\$ 6,505
Investments	-	-	-	64,960	-
Other receivables	5,915	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 25,887	\$ 52,403	\$ 4,982	\$ 373,533	\$ 6,505
Liabilities					
Due to other funds	\$ 17,203	\$ 300	\$ 266	\$ 50	\$ -
Due to others	8,684	51,803	4,716	373,483	6,505
Total liabilities	\$ 25,887	\$ 52,103	\$ 4,982	\$ 373,533	\$ 6,505

97	98	110	
Public Works	Inmate Trust	Deferred Compensation	Totals
\$ 1,890	\$ 8,982	\$ -	\$ 1,450,060
-	-	1,014,708	1,079,668
-	-	-	11,660
-	-	-	37,029
<u>\$ 1,890</u>	<u>\$ 8,982</u>	<u>\$ 1,014,708</u>	<u>\$ 2,578,417</u>
\$ 1,450	\$ -	\$ -	\$ 223,670
440	8,982	1,014,708	2,377,865
<u>\$ 1,890</u>	<u>\$ 8,982</u>	<u>\$ 1,014,708</u>	<u>\$ 2,601,535</u>

PALO PINTO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - COMMISSARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Revenues	
Commissary revenue	\$ 34,515
Phone card revenue	45,654
Over-the-counter revenue	7,837
Other income	4
Total revenues	<u>88,010</u>
Expenditures	
Commissary:	
Operations and management	3,600
Phone card expense	13,894
Commissary supplies	3,184
Over-the-counter supplies	5,517
Indigent supplies	5,679
Cable TV	1,104
Miscellaneous expense	12,982
Capital expense	16,784
Total expenditures	<u>62,744</u>
Excess of revenues over expenditures	25,266
Fund balance, beginning of year	<u>81,451</u>
Fund balance, end of year	<u>\$ 106,717</u>