

CARSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED
SEPTEMBER 30, 2018

CARSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2018

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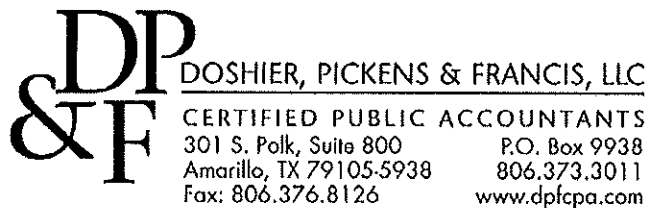
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PART I
INTRODUCTORY SECTION

CARSON COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2018

Dan Looten	County Judge
Mike Britten	Commissioner, Precinct #1
James Martin	Commissioner, Precinct #2
Mike Jennings	Commissioner, Precinct #3
Kevin Howell	Commissioner, Precinct #4
Stuart Messer	Judge, 100 th Judicial District
Luke M. Inman	District Attorney
Celeste Bichsel	District/County Clerk
Scott Sherwood	County Attorney
Jackie Moore	County Tax Assessor/Collector
Denise Salzbrenner	County Treasurer
Loren Brand	County Sheriff
Kathleen Barkley	Justice of the Peace, Precinct #1
Jean Hardman	Justice of the Peace, Precinct #2
Jackie West	County Auditor

PART II
FINANCIAL SECTION



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Carson County, Texas
Panhandle, Texas

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, the schedule of changes in pension liability and related ratios, and the schedule of employer contributions on pages 34 – 38 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.

The County has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. The MD&A, 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. The independent auditors' opinion is not affected by the omission of the MD&A.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carson County, Texas' basic financial statements. The combining non-major and agency fund financial statements listed under other supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major and agency fund financial statements listed under other supplementary information in the accompanying table of contents 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2019, on our consideration of Carson County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Carson County, Texas' internal control over internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carson County, Texas' internal control over financial reporting and compliance.

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC

April 5, 2019

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BASIC FINANCIAL STATEMENTS

**CARSON COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,507,723
Investments	5,437,275
Accounts receivable, net	787,275
Delinquent taxes receivable, net	51,420
Prepaid items	59,591
Capital assets, net of accumulated depreciation	11,369,354
Total assets	23,212,638
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	226,214
Pension assumption changes	103,897
Total deferred outflows of resources	330,111
LIABILITIES	
Accounts payable	321,872
Due to other governmental entities	56,286
Deferred revenues	23,333
Accrued interest	29,579
Noncurrent liabilities:	
Due within one year	585,433
Due in more than one year	5,122,626
Net pension liability	83,052
Total liabilities	6,222,181
DEFERRED INFLOWS OF RESOURCES	
Pension economic/demographic gains	56,186
Pension excess earnings	147,945
Total deferred inflows of resources	204,131
NET POSITION	
Net investment in capital assets	5,797,080
Restricted:	
By enabling legislation	609,519
Debt service	335,238
Unrestricted	10,374,600
Total net position	\$ 17,116,437

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

**CARSON COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and
					Changes in Net Position
					Primary
					Governmental
					Activities
Primary government					
Governmental Activities:					
Administrative	\$ 1,303,228	\$ 103,762	\$ 25,200	\$ -	\$ (1,174,266)
Judicial	579,853	951,998	26,973	-	399,118
Public facilities	648,370	-	2,425	-	(645,945)
Public safety	2,148,665	40,902	83,157	-	(2,024,606)
Road and bridge	1,845,215	606,467	21,544	-	(1,217,204)
Public service	296,263	28,135	16,179	-	(251,949)
Interest on long-term debt	224,432	-	-	-	(224,432)
Total	\$ 7,046,026	\$ 1,731,264	\$ 175,478	\$ -	(5,139,284)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					2,863,226
Property taxes, levied for road and bridge					552,405
Property taxes, levied for lateral road					358,719
Property taxes, levied for debt service					532,426
Miscellaneous taxes					86,495
Payments in lieu of taxes					1,119,725
Investment earnings					160,970
Miscellaneous					676,237
Gain on disposal of asset					110,319
Total general revenues					6,460,522
Change in net position					1,321,238
Net position - beginning					15,795,199
Net position - ending					\$ 17,116,437

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

**CARSON COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Non-Major Governmental</u>	<u>Total Governmental</u>
ASSETS				
Cash and cash equivalents	\$ 2,989,233	\$ 1,730,895	\$ 787,595	\$ 5,507,723
Investments	4,420,000	845,000	172,275	5,437,275
Accounts receivable, net	787,155	-	120	787,275
Delinquent taxes receivable, net	34,684	10,098	6,638	51,420
Prepaid items	59,591	-	-	59,591
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 8,290,663</u>	<u>\$ 2,585,993</u>	<u>\$ 966,628</u>	<u>\$ 11,843,284</u>
LIABILITIES				
Accounts payable	\$ 264,579	\$ 39,541	\$ 17,752	\$ 321,872
Due to other governmental entities	56,286	-	-	56,286
Deferred revenue	23,333	-	-	23,333
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>344,198</u>	<u>39,541</u>	<u>17,752</u>	<u>401,491</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - delinquent property taxes	21,088	5,942	4,119	31,149
Unavailable revenue - accounts receivable	538,574	-	-	538,574
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	<u>559,662</u>	<u>5,942</u>	<u>4,119</u>	<u>569,723</u>
FUND BALANCES				
Non-spendable:				
Prepaid items	59,591	-	-	59,591
Restricted:				
By enabling legislation	-	-	609,519	609,519
Debt service	-	-	335,238	335,238
Committed for:				
Special projects	-	2,540,510	-	2,540,510
Unassigned	7,327,212	-	-	7,327,212
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>7,386,803</u>	<u>2,540,510</u>	<u>944,757</u>	<u>10,872,070</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,290,663</u>	<u>\$ 2,585,993</u>	<u>\$ 966,628</u>	<u>\$ 11,843,284</u>

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

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

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$	10,872,070
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		11,369,354
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements		569,723
Pension contributions paid after the measurement date, December 31, 2017, and before September 30, 2018 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		226,214
Pension losses, deficient earnings, and assumption changes are shown as deferred outflows of resources in the government-wide financial statements.		
Pension assumption changes		103,897
Pension gains, and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(56,186)
Pension excess earnings		(147,945)
The net pension liability is not due and payable in the current period and therefore, is not reported in the fund financial statement, but is reported in the governmental activities of the Statement of Net Position.		(83,052)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements:		
Accrued interest payable		(29,579)
Bonds and leases payable		(5,572,274)
Accrued compensated absences		(135,785)
		(5,737,638)
Net position - governmental activities	\$	17,116,437

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

CARSON COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 2,869,451	\$ 912,401	\$ 534,035	\$ 4,315,887
Payments in lieu of taxes	1,119,725	-	-	1,119,725
Miscellaneous taxes	83,186	2,089	1,220	86,495
Licenses and fees	283,036	384,377	59,038	726,451
Fines and forfeitures	709,736	222,090	-	931,826
Intergovernmental	151,509	21,544	-	173,053
Sales	-	-	12,874	12,874
Investment earnings	114,417	40,312	6,241	160,970
Miscellaneous	225,652	81,220	371,790	678,662
	<u>5,556,712</u>	<u>1,664,033</u>	<u>985,198</u>	<u>8,205,943</u>
Total revenues				
EXPENDITURES				
Current:				
Administrative	1,192,980	-	36,673	1,229,653
Judicial	557,284	-	14,644	571,928
Public facilities	628,230	-	-	628,230
Public safety	1,822,767	-	69,780	1,892,547
Road and bridge	-	1,419,271	-	1,419,271
Public service	290,542	-	-	290,542
Debt service:				
Principal	-	248,462	330,000	578,462
Interest	-	15,061	213,658	228,719
Capital outlay	196,924	524,342	-	721,266
	<u>4,688,727</u>	<u>2,207,136</u>	<u>664,755</u>	<u>7,560,618</u>
Total expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>867,985</u>	<u>(543,103)</u>	<u>320,443</u>	<u>645,325</u>
OTHER FINANCING SOURCES				
Issuance of notes payable	-	176,206	-	176,206
Proceeds from sale of assets	-	155,225	-	155,225
	<u>-</u>	<u>331,431</u>	<u>-</u>	<u>331,431</u>
Total other financing sources				
NET CHANGE IN FUND BALANCES				
	867,985	(211,672)	320,443	976,756
FUND BALANCES - BEGINNING				
	<u>6,518,818</u>	<u>2,752,182</u>	<u>624,314</u>	<u>9,895,314</u>
FUND BALANCES - ENDING				
	<u>\$ 7,386,803</u>	<u>\$ 2,540,510</u>	<u>\$ 944,757</u>	<u>\$ 10,872,070</u>

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

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

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds:	\$	976,756
<p>Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.</p> <p>This is the amount by which capital outlays, \$721,266, exceeded depreciation, \$705,106, in the current period.</p>		
		16,160
<p>In the Statement of Activities, only the gain or loss on the disposition of capital assets is reported. However, in the governmental funds, only proceeds from a sale are reported. Thus, the change in net position differed from the change in fund balance by the net book value of all capital assets disposed of.</p>		
		(82,406)
<p>The Statement of Activities reports gains arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. Thus, the change in net position differed from the change in fund balance by the value given for the traded assets.</p>		
		37,500
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenues.</p>		
		51,002
<p>In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.</p>		
Debt issued or incurred:		
Capital lease financing		(176,206)
Principal repayments:		
Bonds payable		330,000
Capital lease financing		248,462
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:</p>		
Accrued interest on debt, net change		4,286
Compensated absences, net change		(11,692)
Deferred outflows of resources - pension plan		(522,755)
Deferred inflows of resources - pension plan		(178,817)
Net pension liability, net change		628,948
Change in net position - governmental activities	\$	1,321,238

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

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

ASSETS		
Cash and cash equivalents		\$ 305,463
		<hr/>
Total assets		\$ 305,463
		<hr/> <hr/>
LIABILITIES		
Accounts payable		\$ 17,436
Due to other governments		45,788
Deposits		242,239
		<hr/>
Total liabilities		\$ 305,463
		<hr/> <hr/>

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Carson County, Texas (County) have been prepared in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles)(GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. Financial Reporting Entity

The County, incorporated in 1889, is a public corporation and political subdivision of the State of Texas. The County is governed by the Commissioners Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County provides a variety of services to advance the welfare, morale, comfort, safety and convenience of the County and its citizens.

The definition of the reporting entity is based primarily on the notion of financial accountability. The elected officials governing the County are accountable to their constituents for their public policy decisions, regardless of whether those decisions are carried out directly through the operations of the County or by their appointees through the operations of a separate entity. Therefore, the County is not only financially accountable for the organizations that make up its legal entity, but also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either, it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the County.

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

Government-Wide Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities* are supported by taxes and intergovernmental revenue.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Fines and forfeitures are recognized when they have been assessed and adjudicated and earned. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Statement of Activities demonstrates the degree to which the direct expenses of the County's programs are offset by those programs' revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the program and 2) grants and contributions that are restricted to meeting the operational and/or capital requirements of a particular program. Taxes and other items not included among program revenue are reported instead as *general revenue*. In miscellaneous general revenues are non-program specific contributions including capital assets contributions.

Continued

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Equity

13. Fund Balance Policies – Continuation

Committed fund balance amounts may be used for other purposes with appropriate action by the Commissioners' Court to either modify or rescind a fund balance commitment. Commitments are typically done through adoption and amendment of the budget.

The County's highest level of decision-making authority is the Commissioners' Court. The Court has not yet delegated the authority to assign fund balance amounts to a specific individual nor does it have a policy to authorize the assignment of fund balances outside the Court.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The County follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the proposed budget is submitted to the Commissioners' Court.
2. The Commissioners' Court provides for a public hearing on the County budget subsequent to August 15, and prior to the levy of taxes by the Commissioners' Court.
3. Prior to October 1, the budget is legally adopted by order of the Commissioners' Court for the General Fund and the Road and Bridge Special Revenue Fund.
4. The budget is prepared by fund and department with the legal level of control at the department level. Administrative control is maintained through the establishment of more detailed account or object class budgets within the departments. Emergency expenditures to meet unusual and unforeseen conditions which could not, by reasonable diligent thought and attention, have been included in the original budget, whereby total expenditures of a department have been increased must be authorized by the Court as emergency amendments to the original budget. Management may not amend the budget at any level without approval of the Commissioners' Court. The Court has the authority to make such changes in the budget, in its judgment of facts, the law warrant, and the interest of the taxpayers demand, provided the amounts budgeted for the current expenditures from the various funds for the County do not exceed appropriations, including fund balances from the prior fiscal periods. Amounts shown in the financial statements represent the original budget amounts and all supplemental appropriations. Supplemental appropriations to the original adopted budget are in the Final Budget Amounts column of the Budgetary Comparison Schedule for both the General Fund and the Road and Bridge Special Revenue Fund.
5. Budgets for the General and Road and Bridge Special Revenue Funds are adopted on a basis consistent with GAAP on the modified accrual basis of accounting on an annual basis.
6. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund and the Road and Bridge Special Revenue Fund.

Continued

**CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information – Continuation

7. All appropriations, except those in grant funds, lapse at the end of the County's fiscal year and may be re-budgeted the next year.

B. Excess of Expenditures Over Appropriations

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

<u>Violation</u>	<u>Action Taken</u>
Expenditures exceeded the budget in various departments of the General and Road & Bridge Funds	A combination of underspending in other departments, as well as proceeds from capital related debt have covered such overspendings.

NOTE 3 – DEPOSITS AND INVESTMENTS

Following is a reconciliation of the County's cash and deposit balances as of September 30, 2018:

Cash and deposit balances consist of:

Petty cash funds	\$	650
Bank deposits		1,165,183
Temporary investments - TexPool		860,002
Temporary investments - Texas CLASS		3,787,351
		3,787,351
Total	\$	5,813,186

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:

Unrestricted	\$	5,507,723
Fiduciary Funds Statement of Net Position		305,463
		305,463
Total	\$	5,813,186

Continued

**CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

As of September 30, 2018, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Governmental activities		
Certificates of deposit (interest rates at .2 - 1.8%)	\$ 5,437,275	
Total fair value	<u>\$ 5,437,275</u>	
Portfolio weighted average maturity		<u>368</u>

Custodial credit risk: As of September 30, 2018, the carrying amount of the County's deposits with financial institutions was \$6,602,458 and the bank's balance was \$6,710,222. Of the bank balance, \$4,719,458 was insured through the Federal Depository Insurance Corporation (FDIC) and \$1,990,763, was collateralized with securities held by the pledging institution's agent in the County's name.

As of September 30, 2018, the County had \$860,002 and \$3,787,351 invested with the Texas Treasury Safekeeping Trust Company (TexPool) and the Texas Cooperative Liquid Assets Securities System (Texas CLASS), respectively. The Inter-local Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as TexPool through which political subdivisions and other entities may invest public funds.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally the State Comptroller has established an advisory board composed of both participants of in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure.

Texas CLASS is a local government pool emphasizing safety, liquidity, convenience, and competitive yields. Since 1966, Texas CLASS has provided Texas public entities a safe and competitive investment alternative. The pool is governed by a board of trustees, elected annually by its participants.

Both investment pools use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. TexPool and Texas CLASS do not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals. Both pools have a credit rating of AAAM from Standard & Poor's Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principle. TexPool and Texas CLASS each invest in a quality portfolio of debt securities investments that are legally permissible for local governments in the state.

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The County manages its exposure to interest rate risk by maintaining its cash in interest-bearing demand accounts, readily available TexPool and Texas CLASS shares, or in certificates of deposit with weighted average maturities of approximately one year.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and County policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service.

Continued

**CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single insurer. As of September 30, 2018, 42% of the County's carrying value of cash and investments was invested in pooled investment accounts. All other cash and investments were deposited with the County's depository bank and were adequately secured as described above.

NOTE 4 – CAPITAL ASSETS

Capital assets are recorded at cost or, if donated, at fair market value at the date of receipt. In accordance with GASB Statement No. 34, depreciation policies were adopted to include useful lives and classification by function. As stated earlier, the County has opted to report its infrastructure retroactively.

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 42,419	\$ -	\$ -	\$ 42,419
Total capital assets, not being depreciated	42,419	-	-	42,419
Capital assets, being depreciated:				
Buildings and improvements	9,909,832	48,779	-	9,958,611
Infrastructure	1,658,537	-	-	1,658,537
Equipment	6,044,575	709,987	(438,743)	6,315,819
Total capital assets, being depreciated	17,612,944	758,766	(438,743)	17,932,967
Less accumulated depreciation for:				
Buildings and improvements	(1,959,927)	(195,917)	-	(2,155,844)
Infrastructure	(810,018)	(22,114)	-	(832,132)
Equipment	(3,487,318)	(487,075)	356,337	(3,618,056)
Total accumulated depreciation	(6,257,263)	(705,106)	356,337	(6,606,032)
Total capital assets, being depreciated, net	11,249,222	53,660	(82,406)	11,326,935
Governmental activities capital assets, net	<u>\$ 11,291,641</u>	<u>\$ 53,660</u>	<u>\$ (82,406)</u>	<u>\$ 11,369,354</u>

Continued

**CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 4 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended September 30, 2018 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Administrative	\$ 50,997
Judicial	269
Public facilities	13,598
Public safety	227,345
Road and bridge	407,541
Extension	<u>5,356</u>
 Total Depreciation Expense	 <u>\$ 705,106</u>

NOTE 5 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$.80 on each \$100 of assessed valuation. The tax rate on the 2017 tax roll was \$.420211 per \$100 for operations and \$.078193 per \$100 for debt service, which means that the County has a total tax margin of \$.301596 per \$100 and could raise up to \$2,067,277 additional revenue from the 2017 assessed valuation of \$685,445,760 before the limit is reached.

The State of Texas Constitutional tax rate limit for the maintenance of farm-to-market roads is \$.30 on each \$100 of assessed valuation. The tax rate on the 2017 tax roll was \$.081042 per \$100, which means that the County has a tax margin of \$.218958 per \$100 and could raise up to \$1,489,822 additional revenue from the 2017 assessed valuation of \$680,414,390 before the limit is reached.

The State of Texas Constitutional tax rate limit for lateral roads is \$.15 on each \$100 of assessed valuation. The tax rate on the 2017 tax roll was \$.053037 per \$100, which means that the County has a tax margin of \$.096963 per \$100 and could raise up to \$659,750 additional revenue from the 2017 assessed valuation of \$680,414,390 before the limit is reached.

Real and personal property values are assessed for the period January 1 to December 31, as of January 1 at which date property taxes attach as an enforceable lien on property. Taxes are levied by October 1 of the current year and are collected from October 1 to June 30 of the following year. Payments received after February 1 are considered late and are subject to penalty and interest. Taxes become delinquent on July 1 of the following year.

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

NOTE 6 – RETIREMENT PLAN

Plan Description: Carson County provides retirement and death benefits for all of its employees, except temporary employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of several nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 and is available at www.tcdrs.org.

Benefits Provided: The plan provisions are adopted by the governing body of the County (employer), within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated 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.

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

Employees Covered by Benefit Terms: At December 31, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	44
Active employees	75

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 County is actuarially determined annually.

The County contributed using the actuarially determined rate of 11.10% for the months of the accounting year in 2017 and 11.26% for the months of the accounting year in 2018. The contribution rate payable by the employee members is 7.0% for fiscal year 2018 as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

Net Pension Liability: The County's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date.

Continued

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

NOTE 6 – RETIREMENT PLAN – Continuation

Actuarial Assumptions: The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

In the 2017 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale, 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.

TCDRS system-wide economic assumptions:

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

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

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

Employer-specific economic assumptions:

Growth in membership	0.00%
Payroll growth for funding calculations	2.50%

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

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2018 information for a 10-year time horizon.

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

Continued

**CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 – RETIREMENT PLAN – Continuation

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

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected Minus Inflation)
U.S. Equities	Dow Jones U.S Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities - Emerging	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment - Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	75.00%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

Discount Rate: The discount rate used to measure the total pension liability was 8.10%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

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

Continued

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

NOTE 6 – RETIREMENT PLAN – Continuation

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

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternatives methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 8.10%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

Continued

**CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 – RETIREMENT PLAN – Continuation

Changes in the Net Pension Liability / (Asset):

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2016	\$ 10,720,684	\$ 10,008,684	\$ 712,000
Changes for the year:			
Service cost	384,190	-	384,190
Interest on total pension liability (1)	879,992	-	879,992
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(52,723)	-	(52,723)
Effect of assumptions changes or inputs	98,214	-	98,214
Refund of contributions	(41,710)	(41,710)	-
Benefit payments	(449,393)	(449,393)	-
Administrative expenses	-	(7,619)	7,619
Member contributions	-	187,785	(187,785)
Net investment income	-	1,460,829	(1,460,829)
Employer contributions	-	297,773	(297,773)
Other (3)	-	(147)	147
Balances as of December 31, 2017	<u>\$ 11,539,254</u>	<u>\$ 11,456,202</u>	<u>\$ 83,052</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) Relates to allocation of system-wide items.

Sensitivity of the net pension liability / (asset) to changes in the discount rate: 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 / (asset) 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%
Total pension liability	\$ 12,833,039	\$ 11,539,254	\$ 10,426,342
Fiduciary net position	<u>11,456,202</u>	<u>11,456,202</u>	<u>11,456,202</u>
Net pension liability / (asset)	<u>\$ 1,376,837</u>	<u>\$ 83,052</u>	<u>\$ (1,029,860)</u>

Continued

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

NOTE 6 – RETIREMENT PLAN – Continuation

Pension plan fiduciary net position: Detailed information about the pension plan’s fiduciary net position is available in the separately issued TCDRS financial report.

Pension Expense / (Income):

	January 1, 2017 to December 31, 2017
Service cost	\$ 384,190
Interest on total pension liability (1)	879,992
Effect of plan changes	-
Administrative expenses	7,619
Member contributions	(187,785)
Expected investment return net of investment expenses	(810,175)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(19,507)
Recognition of assumption changes or inputs	54,790
Recognition of investment gains or losses	61,189
Other (2)	147
 Pension expense / (income)	 \$ 370,460

(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 Inflows / Outflows of Resources: As of December 31, 2017, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 56,186	\$ -
Changes of assumptions	-	103,897
Net difference between projected and actual earnings	147,944	-
Contributions made subsequent to measurement date	N/A	226,214

Continued

**CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 6 – RETIREMENT PLAN – Continuation

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

Year ended December 31:	
2018	\$ 94,127
2019	41,473
2020	(105,703)
2021	(130,130)
2022	-
Thereafter	-

NOTE 7 – POST-EMPLOYMENT DEFINED BENEFIT GROUP TERM LIFE INSURANCE PLAN

Plan Description

Carson County participates in a cost-sharing multiple-employer defined-benefit group-term life insurance plan operated by the Texas County and District Retirement System (TCDRS). This plan is referred to as the Group Term Life Fund (GTLF). This optional plan provides group term life insurance coverage to eligible employees. The coverage provided to retired employees is a postemployment benefit other than pension benefits (OPEB). Retired employees are insured for \$5,000.

The GTLF is a separate trust administered by the TCDRS board of trustees. TCDRS issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the GTLF. This report is available at www.tcdrs.org. TCDRS' CAFR may also be obtained by writing to the Texas County & District System, P.O. Box 2034, Austin, TX 78768-2034, or by calling 800-823-7782.

Funding Policy

Each participating employer contributes to the GTLF at a contractually required rate. An annual actuarial valuation is performed and the contractual rate is determined using the unit credit method for providing one-year term life insurance. Carson County's contributions to the GTLF for the years ended September 30, 2018, 2017, and 2016, were \$8,873, \$12,490, and \$16,618, respectively, which equaled the contractually required contributions each year.

NOTE 8 – CONCENTRATION OF TAXPAYERS

As of September 30, 2018, the following taxpayers accounted for a significant portion of the County's total tax levy.

Taxpayer	Industry	Tax Amount	Percent of Total Levy
Taxpayer A	Railroad	\$ 304,247	7.03 %
Taxpayer B	Utilities	254,498	5.88
Taxpayer C	Utilities	253,060	5.85

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

NOTE 9 – TAX ABATEMENTS

During the year ended September 30, 2008, Carson County entered into a 10 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Carson County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with a minimum nameplate capacity of 79.5 megawatts and an initial estimated market value of \$50,000,000. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner's tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due.

During the year ended September 30, 2010, Carson County entered into a 10 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Carson County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with a minimum nameplate capacity of 70 megawatts and an initial estimated market value of \$50,000,000. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner's tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due.

During the year ended September 30, 2013, Carson County entered into a 10 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Carson County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with a minimum capacity of 160 megawatts and an anticipated capacity of 486 megawatts of overall Turbine Nameplate Capacity. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner's tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due, less any payments made at any time to the County. In addition to the commitments for eligibility the Company has agreed to make payments in lieu of taxes annually in the amount of \$1,500 per megawatt of turbine nameplate capacity during the abatement period, this resulted in payments in lieu of taxes for the current year of \$500,000.

During the year ended September 30, 2013, Carson County entered into a 10 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Carson County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with an anticipated capacity of 50 megawatts of overall Turbine Nameplate Capacity. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner's tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due, less any payments made at any time to the County. In addition to the commitments for eligibility the Company has agreed to make payments in lieu of taxes annually in the amount of \$1,500 per megawatt of turbine nameplate capacity during the abatement period, this resulted in payments in lieu of taxes for the current year of \$123,000.

Continued

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

NOTE 9 – TAX ABATEMENTS – Continued

During the year ended September 30, 2013, Carson County entered into a 10 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Carson County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with an anticipated capacity of 200 megawatts of overall Turbine Nameplate Capacity. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner's tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due, less any payments made at any time to the County. In addition to the commitments for eligibility the Company has agreed to make payments in lieu of taxes annually in the amount of \$1,500 per megawatt of turbine nameplate capacity during the abatement period, this resulted in payments in lieu of taxes for the current year of \$496,725.

During the year ended September 30, 2014, Carson County entered into a 10 year property tax abatement agreement with a business under the Texas Property Redevelopment and Tax Abatement Act. Under the Act, localities may grant tax abatement of up to 100 percent of a business' property tax bill for the purpose of attracting or retaining business within the jurisdictions. The abatement may be granted to any business located within or promising to relocate to Carson County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with minimum nameplate capacity of 100 megawatts and an anticipated capacity of 200 megawatts of overall Turbine Nameplate Capacity. The Chief Appraiser will determine the certified appraised value annually pursuant to the terms of the abatement under this agreement. The amount of the abatement will automatically be deducted from the property owner's tax bill. In the event of default the County shall use the certified appraised values which were abated to determine the taxes due, less any payments made at any time to the County. In addition to the commitments for eligibility the Company has agreed to make payments in lieu of taxes annually in the amount of \$1,500 per megawatt of turbine nameplate capacity during the abatement period, this resulted in payments in lieu of taxes for the current year of \$0, as construction had not been completed as of September 30, 2018.

For the fiscal year ended September 30, 2018, Carson County abated property taxes totaling \$2,824,569 under this program, including the following tax abatement agreements:

- An 87 percent tax abatement to High Majestic Wind Energy, LLC, and the abatement amounted to \$198,002.
- An 87 percent tax abatement to High Majestic Wind Energy II, LLC, and the abatement amounted to \$286,352.
- A 100 percent tax abatement to Pattern Panhandle Wind, LLC, and the abatement amounted to \$1,720,647.
- A 100 percent tax abatement to Route 66 Wind Power, LLC, and the abatement amounted to \$557,399.
- A 100 percent tax abatement to Grandview Wind Farm, LLC, and the abatement amounted to \$62,169.
- A 100 percent tax abatement to Grandview Wind Farm III, LLC, and the abatement amounted to \$0 as construction had not been completed for the 2017 tax roll.

NOTE 10 – LONG-TERM LIABILITIES

In 2010, The County issued \$7,495,000 of General Obligation Bonds, Series 2010, for the purpose of constructing and equipping the Carson County Law Enforcement Center. Principal payments on the bonds are made annually, each February 15, and interest payments are made semi-annually, each February 15 and August 15. Interest rates range from 2.0% - 4.2%.

Continued

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

NOTE 10 – LONG-TERM LIABILITIES – Continuation

General Obligation Bonds are supported by a pledge of the County’s full faith and credit. The related bond ordinance requires a levy and collection of ad valorem taxes on taxable property located within the County. Tax levy and collections began in 2011.

On June 13, 2017 the County financed capital purchases in the Road and Bridge Fund by taking out a Note Payable through a financial institution. Principal and interest payments are to be made annually on December 1. The interest rate is 3.75% and the debt is collateralized by the equipment.

The annual debt service requirement on long-term liabilities outstanding as of September 30, 2018 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 124,093	\$ 75,952	\$ (64,260)	\$ 135,785	\$ 13,600
Note payable	71,449	-	(35,833)	35,616	35,616
Capital leases	398,081	176,206	(212,629)	361,658	191,217
Bonds payable:					
General Obligation Bonds, Series 2010	5,505,000	-	(330,000)	5,175,000	345,000
 Governmental activity long-term liabilities	 <u>\$ 6,098,623</u>	 <u>\$ 252,158</u>	 <u>\$ (642,722)</u>	 <u>\$ 5,708,059</u>	 <u>\$ 585,433</u>

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

Fiscal Year	Total	General Obligation Bonds		Note Payable		Capital Leases	
		Series 2010					
		Interest	Principal	Interest	Principal	Interest	Principal
2019	\$ 785,603	\$ 201,808	\$ 345,000	\$ 1,340	\$ 35,616	\$ 10,622	\$ 191,217
2020	617,280	187,808	355,000	-	-	7,023	67,449
2021	597,015	173,308	370,000	-	-	2,935	50,772
2022	596,916	158,208	385,000	-	-	1,488	52,220
2023	547,408	142,408	405,000	-	-	-	-
2024 - 2028	2,721,538	451,538	2,270,000	-	-	-	-
2029 - 2033	1,089,224	44,224	1,045,000	-	-	-	-
	<u>\$ 6,954,984</u>	<u>\$ 1,359,302</u>	<u>\$ 5,175,000</u>	<u>\$ 1,340</u>	<u>\$ 35,616</u>	<u>\$ 22,068</u>	<u>\$ 361,658</u>

The County paid interest expenses in the amount of \$228,718 during the fiscal year ended September 30, 2018.

**CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

NOTE 11 – LEASES

Capital Leases

The County has entered into various capital leases for equipment. The future minimum lease payments under capital leases and the net present value of the future minimum lease payments are as follows:

For Year Ended:		
2019	\$	201,839
2020		74,471
2021		53,708
2022		<u>53,708</u>
Total Future Lease Payments		383,726
Less amount representing interest		<u>22,068</u>
Present value of future minimum lease payments	\$	<u><u>361,658</u></u>
Interest rates		2.5 - 3.0%
Equipment	\$	953,438
Less accumulated amortization		<u>(139,884)</u>
Net value	\$	<u><u>813,554</u></u>

Amortization of equipment under capital leases is included with depreciation expense.

Operating Leases

The County leases various pieces of equipment under non-cancelable operating leases. Total costs for such leases were \$30,974 for the year ended September 30, 2018. The future minimum lease payments for these are as follows:

For Year Ended:		
2019	\$	33,439
2020		4,537
2021		3,180
2022		3,180
2023		3,180
2024 - 2028		<u>1,060</u>
Total Future Lease Payments	\$	<u><u>48,576</u></u>

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

NOTE 13 – RISK MANAGEMENT

The County's major areas of risk management are: public officials', law enforcement, and automobile liability, general comprehensive liability and property damage, workers' compensation, and employee health insurance. The County has obtained insurance with an insurance company and a public entity risk pool in which all risk is transferred to those entities for all the above areas. The County pays a deductible per incident except on the employee health insurance in which the deductible is the responsibility of the employee. There have been no significant reductions in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the current year or the previous three years.

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CARSON COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 2,812,186	\$ 2,812,186	\$ 2,869,451	\$ 57,265
Payments in lieu of taxes	1,119,725	1,119,725	1,119,725	-
Sales and miscellaneous taxes	69,500	69,500	83,186	13,686
Licenses and fees	288,668	288,668	283,036	(5,632)
Fines and forfeitures	314,300	314,300	709,736	395,436
Intergovernmental	176,410	176,410	151,509	(24,901)
Interest earnings	42,247	42,247	114,417	72,170
Miscellaneous	45,650	45,650	225,652	180,002
	<u>4,868,686</u>	<u>4,868,686</u>	<u>5,556,712</u>	<u>688,026</u>
EXPENDITURES				
Current:				
Administrative:				
Commissioners' Court	261,216	261,216	238,590	22,626
Historical Commission	4,115	4,115	664	3,451
County Auditor	138,802	138,802	131,245	7,557
Elections	32,538	32,538	18,161	14,377
County Judge	155,601	155,601	149,590	6,011
County and District Clerk	288,989	288,989	267,222	21,767
County Tax Assessor/Collector	277,246	277,246	271,731	5,515
County Treasurer	119,252	119,252	115,777	3,475
	<u>1,277,759</u>	<u>1,277,759</u>	<u>1,192,980</u>	<u>84,779</u>
Judicial:				
Justice of the Peace - 1	113,585	113,585	111,338	2,247
Justice of the Peace - 2	119,546	119,546	113,450	6,096
County Attorney	152,813	152,813	154,978	(2,165)
Jury	168,451	176,638	177,518	(880)
	<u>554,395</u>	<u>562,582</u>	<u>557,284</u>	<u>5,298</u>
Public facilities:				
Building and Maintenance:				
Permanent Improvement	304,330	304,330	139,179	165,151
Courthouse	74,701	74,701	71,197	3,504
Museum	12,613	12,613	11,451	1,162
Jail	92,513	92,513	104,910	(12,397)
Ag Building	11,304	11,304	14,328	(3,024)

Continued

**CARSON COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Continuation	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current:				
Public facilities:				
Building and Maintenance:				
DPS Office - Groom	4,706	4,706	4,646	60
Justice of the Peace - 1	5,164	5,164	4,642	522
Libraries	6,840	6,840	6,384	456
Library	289,115	289,115	271,493	17,622
Total public facilities	<u>801,286</u>	<u>801,286</u>	<u>628,230</u>	<u>173,056</u>
Public safety:				
County-wide	224,000	224,000	243,208	(19,208)
DPS - Panhandle	2,550	2,550	1,365	1,185
County Sheriff	1,512,236	1,539,089	1,479,757	59,332
AIP Grant Fund	115,643	115,643	98,437	17,206
Total public safety	<u>1,854,429</u>	<u>1,881,282</u>	<u>1,822,767</u>	<u>58,515</u>
Public service:				
Extension Services	135,122	135,122	120,658	14,464
Social Services	689,718	681,531	164,584	516,947
Soil Conservation	5,300	5,300	5,300	-
Total public service	<u>830,140</u>	<u>821,953</u>	<u>290,542</u>	<u>531,411</u>
Capital outlay	<u>95,000</u>	<u>95,000</u>	<u>196,924</u>	<u>(101,924)</u>
Total expenditures	<u>5,413,009</u>	<u>5,439,862</u>	<u>4,688,727</u>	<u>751,135</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(544,323)</u>	<u>(571,176)</u>	<u>867,985</u>	<u>1,439,161</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total other financing sources	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
NET CHANGE IN FUND BALANCE	<u>(539,323)</u>	<u>(566,176)</u>	<u>867,985</u>	<u>1,434,161</u>
FUND BALANCES - BEGINNING	<u>6,518,818</u>	<u>6,518,818</u>	<u>6,518,818</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 5,979,495</u>	<u>\$ 5,952,642</u>	<u>\$ 7,386,803</u>	<u>\$ 1,434,161</u>

**CARSON COUNTY, TEXAS
ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 900,672	\$ 900,672	\$ 912,401	\$ 11,729
Motor vehicle sales tax	800	800	2,089	1,289
Licenses and fees	373,200	373,200	384,377	11,177
Fines and forfeitures	210,872	210,872	222,090	11,218
Intergovernmental	21,544	21,544	21,544	-
Interest earnings	11,710	11,710	40,312	28,602
Miscellaneous	46,116	46,116	81,220	35,104
	<u>1,564,914</u>	<u>1,564,914</u>	<u>1,664,033</u>	<u>99,119</u>
EXPENDITURES:				
Current:				
Road and bridge				
Precinct #1	503,964	503,964	394,473	109,491
Precinct #2	388,965	388,965	352,448	36,517
Precinct #3	444,063	442,215	340,820	101,395
Precinct #4	434,552	434,552	331,530	103,022
	<u>1,771,544</u>	<u>1,769,696</u>	<u>1,419,271</u>	<u>350,425</u>
Total road and bridge				
Debt service:				
Principal	75,000	75,000	248,462	(173,462)
Interest	10,000	10,000	15,061	(5,061)
	<u>85,000</u>	<u>85,000</u>	<u>263,523</u>	<u>(178,523)</u>
Total debt service				
Capital outlay	490,000	491,848	524,342	(32,494)
	<u>2,346,544</u>	<u>2,346,544</u>	<u>2,207,136</u>	<u>139,408</u>
Total expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(781,630)</u>	<u>(781,630)</u>	<u>(543,103)</u>	<u>238,527</u>
OTHER FINANCING SOURCES :				
Proceeds from notes payable	-	-	176,206	176,206
Proceeds from sale of assets	-	-	155,225	155,225
	<u>-</u>	<u>-</u>	<u>331,431</u>	<u>331,431</u>
Total other financing sources				
NET CHANGE IN FUND BALANCE	(781,630)	(781,630)	(211,672)	569,958
FUND BALANCE - BEGINNING	<u>2,752,182</u>	<u>2,752,182</u>	<u>2,752,182</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,970,552</u>	<u>\$ 1,970,552</u>	<u>\$ 2,540,510</u>	<u>\$ 569,958</u>

CARSON COUNTY, TEXAS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

	Year Ended December 31,			
	2017	2016	2015	2014
Total Pension Liability:				
Service cost	\$ 384,190	\$ 380,970	\$ 319,034	\$ 306,915
Interest on total pension liability	879,992	809,704	755,763	703,857
Effect of plan changes	-	-	(41,514)	-
Effect of assumption changes or inputs	98,214	-	120,945	-
Effect of economic/demographic (gains) or losses	(52,723)	(31,894)	(2,788)	9,377
Benefit payments/refunds of contributions	(491,103)	(485,884)	(468,292)	(381,820)
Net change in total pension liability	818,570	672,896	683,148	638,329
Total pension liability, beginning	10,720,684	10,047,788	9,364,640	8,726,311
Total pension liability, ending (a)	<u>\$ 11,539,254</u>	<u>\$ 10,720,684</u>	<u>\$ 10,047,788</u>	<u>\$ 9,364,640</u>
Fiduciary Net Position:				
Employer contributions	\$ 297,773	\$ 298,734	\$ 298,951	\$ 356,008
Member contributions	187,785	184,730	187,793	161,717
Investment income net of investment expenses	1,460,829	688,174	(17,574)	590,961
Benefit payments/refunds of contributions	(491,103)	(485,884)	(468,292)	(381,820)
Administrative expenses	(7,619)	(7,484)	(6,683)	(6,892)
Other	(147)	46,478	35,039	(77,677)
Net change in fiduciary net position	1,447,518	724,748	29,234	642,297
Fiduciary net position, beginning	10,008,684	9,283,936	9,254,702	8,612,405
Fiduciary net position, ending (b)	<u>\$ 11,456,202</u>	<u>\$ 10,008,684</u>	<u>\$ 9,283,936</u>	<u>\$ 9,254,702</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 83,052</u>	<u>\$ 712,000</u>	<u>\$ 763,852</u>	<u>\$ 109,938</u>
Fiduciary net position as a % of total pension liability	99.28%	93.36%	92.40%	98.83%
Pensionable covered payroll	\$ 2,682,636	\$ 2,638,997	\$ 2,559,511	\$ 2,310,236
Net pension liability as a % of covered payroll	3.10%	26.98%	29.84%	4.76%

CARSON COUNTY, TEXAS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

Year Ending September 30:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 317,935	\$ 317,935	\$ -	\$ 2,526,814	12.6%
2016	300,804	300,804	-	2,636,794	11.4%
2017	299,309	299,309	-	2,683,667	11.2%
2018	297,837	297,837	-	2,654,258	11.2%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	7.5 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.0%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	New inflation, mortality and other assumptions were reflected in the Schedule of Employer Contributions for 2015. New mortality assumptions were reflected in the Schedule of Employer Contributions for 2017.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	No changes in plan provisions were reflected in the Schedule of Employer Contributions for 2015 or 2016. New Annuity Purchase Rates were reflected in the Schedule of Employer Contributions for benefits earned after 2017.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Law Library – The Law Library fund accounts for statutory fees collected in civil cases filed in County and District Courts. These fees are dedicated by law to provide and maintain a County law Library.

County Records Management – The County Records Management Fund accounts for fees collected by the County and District Clerks from all defendants convicted of an offense. The fees are dedicated by law to be used for specific records management and preservation purposes of the County.

Courthouse Security – The Courthouse Security Fund accounts for fees collected by the County and District Clerks from all defendants convicted of an offense. The fees are dedicated by law to be used to fund and support security systems and personnel within the District, County or Justice Courts.

Sheriff Forfeiture and Seizure – The Sheriff Forfeiture and Seizure Fund accounts for the assets and proceeds from the disposition of assets used in the commission of criminal activity and subsequently seized by the office of the County Sheriff. The funds are dedicated by law to be used solely for law enforcement purposes.

Judicial Technology – The Judicial Technology Fund accounts for fees collected by the County Clerk from all defendants convicted of a misdemeanor offense in a Justice Court. The fees are dedicated by law to be expended only for the costs of continuing education for justice court judges and clerks regarding technological enhancements for justice courts and the costs of those enhancements.

District and County Clerk Technology – The District and County Clerk Technology Fund accounts for fees collected from all defendants convicted in the District or County Courts. The fees are dedicated by law to be expended only for the costs of continuing education for county and district judges and clerks regarding technological enhancements for justice courts and the costs of those enhancements.

Check Collection – The Check Collection Fund accounts for fees collected by the County Attorney for every hot check processed through his office. The fees are dedicated by law to be used at the sole discretion of the County Attorney to defray the salaries and expenses of the prosecutor's office.

VIT Interest – The Vehicle Inventory Tax Interest Fund accounts for the interest earned on the bank account that the Tax Assessor/Collector holds monthly payments from automobile dealers for the annual payment of the State of Texas Vehicle Inventory Tax.

Jail Commissary – The Jail Commissary Fund accounts for the proceeds received by the Sheriff's office from incarcerated persons on the sale of commissary items. The funds are restricted by law to be used to maintain the commissary and for the benefit of the Sheriff's Department.

DEBT SERVICE FUND

The Debt Service Fund accounts for the accumulation and disbursement of resources associated with the County's debt obligations. Property taxes and interest income provide the resources necessary to pay the annual principal and interest payments.

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

	Special Revenue						
	Law Library	County Records Management	Courthouse Security	Sheriff Forfeiture and Seizure	Judicial Technology	District & County Clerk Technology	
ASSETS							
Cash and cash equivalents	\$ 3,148	\$ 43,113	\$ 40,206	\$ 373,571	\$ 11,386	\$ 4,226	
Investments	-	-	60,000	-	30,000	-	
Delinquent taxes receivable, net	-	-	-	-	-	-	
Accounts receivable, net	-	-	-	-	120	-	
Total assets	\$ 3,148	\$ 43,113	\$ 100,206	\$ 373,571	\$ 41,506	\$ 4,226	
LIABILITIES							
Accounts payable	\$ -	\$ 433	\$ -	\$ 15,765	\$ -	\$ 1,554	
Total liabilities	-	433	-	15,765	-	1,554	
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - delinquent property taxes	-	-	-	-	-	-	
Total deferred inflows of resources	-	-	-	-	-	-	
FUND BALANCES							
Restricted:							
By enabling legislation	3,148	42,680	100,206	357,806	41,506	2,672	
Debt service	-	-	-	-	-	-	
Total fund balances	3,148	42,680	100,206	357,806	41,506	2,672	
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,148	\$ 43,113	\$ 100,206	\$ 373,571	\$ 41,506	\$ 4,226	Continued

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

Continuation	Special Revenue					Total Non-Major Governmental Funds
	Check Collection	VIT Interest	Jail Commissary	Total	Debt Service	
ASSETS						
Cash and cash equivalents	\$ 8,582	\$ 710	\$ 52,209	\$ 537,151	\$ 250,444	\$ 787,595
Investments	-	-	-	90,000	82,275	172,275
Delinquent taxes receivable, net	-	-	-	-	6,638	6,638
Accounts receivable, net	-	-	-	120	-	120
Total assets	\$ 8,582	\$ 710	\$ 52,209	\$ 627,271	\$ 339,357	\$ 966,628
LIABILITIES						
Accounts payable	\$ -	\$ -	\$ -	\$ 17,752	\$ -	\$ 17,752
Total liabilities	-	-	-	17,752	-	17,752
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - delinquent property taxes	-	-	-	-	4,119	4,119
Total deferred inflows of resources	-	-	-	-	4,119	4,119
FUND BALANCES						
Restricted:						
By enabling legislation	8,582	710	52,209	609,519	-	609,519
Debt service	-	-	-	-	335,238	335,238
Total fund balances	8,582	710	52,209	609,519	335,238	944,757
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,582	\$ 710	\$ 52,209	\$ 627,271	\$ 339,357	\$ 966,628

CARSON COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue						
	Law Library	County Records Management	Courthouse Security	Sheriff Forfeiture and Seizure	Judicial Technology	District & County Clerk Technology	
REVENUES							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous taxes	-	-	-	-	-	-	-
Licenses and fees	5,005	36,195	10,064	-	7,362	412	412
Sales	-	-	-	-	-	-	-
Investment earnings	-	21	728	-	308	2	2
Miscellaneous	-	-	-	364,323	-	-	-
Total revenues	5,005	36,216	10,792	364,323	7,670	414	414
EXPENDITURES							
Current:							
Administrative	-	35,091	-	-	-	-	-
Judicial	1,726	-	3,448	-	7,916	1,554	1,554
Public safety	-	-	-	31,764	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	1,726	35,091	3,448	31,764	7,916	1,554	1,554
EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES	3,279	1,125	7,344	332,559	(246)	(1,140)	(1,140)
FUND BALANCES - BEGINNING	(131)	41,555	92,862	25,247	41,752	3,812	3,812
FUND BALANCES - ENDING (DEFICIT)	\$ 3,148	\$ 42,680	\$ 100,206	\$ 357,806	\$ 41,506	\$ 2,672	\$ 2,672

Continued

CARSON COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue					Total Non-Major Governmental Funds
	Check Collection	VIT Interest	Jail Commissary	Total	Debt Service	
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 534,035	\$ 534,035
Miscellaneous taxes	-	-	-	-	1,220	1,220
Licenses and fees	-	-	-	59,038	-	59,038
Sales	-	-	12,874	12,874	-	12,874
Investment earnings	5	5	-	1,069	5,172	6,241
Miscellaneous	49	-	199	364,571	7,219	371,790
Total revenues	54	5	13,073	437,552	547,646	985,198
EXPENDITURES						
Current:						
Administrative	1,582	-	-	36,673	-	36,673
Judicial	-	-	-	14,644	-	14,644
Public safety	-	-	38,016	69,780	-	69,780
Debt Service:						
Principal	-	-	-	-	330,000	330,000
Interest and other charges	-	-	-	-	213,658	213,658
Total expenditures	1,582	-	38,016	121,097	543,658	664,755
EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES	(1,528)	5	(24,943)	316,455	3,988	320,443
FUND BALANCES - BEGINNING	10,110	705	77,152	293,064	331,250	624,314
FUND BALANCES - ENDING	\$ 8,582	\$ 710	\$ 52,209	\$ 609,519	\$ 335,238	\$ 944,757

Continuation

FIDUCIARY FUNDS

AGENCY FUNDS

The Agency Funds account for assets received in the capacity of trustee or agent for the County, other governmental entity or individual.

County and District Clerk – The County and District Clerk’s Fund accounts for registry funds held by the County and District Clerk.

Justices of the Peace – The Justices of the Peace Fund accounts for money held in escrow by each of the Justices of the Peace.

Tax Assessor Collector – The Tax Assessor Collector Fund accounts for money collected by the Tax Assessor Collector and remitted to various taxing jurisdictions.

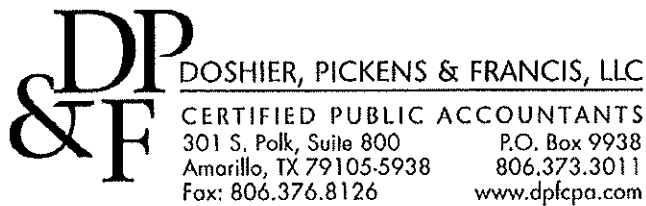
Inmate Trust – The Inmate Trust Fund accounts for inmate funds being held for the benefit of the inmates.

Sheriff – The Sheriff’s Fund accounts for monies received for cash bonds.

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

	County and District Clerk	Justices of the Peace	Tax Assessor Collector	Inmate Trust	Sheriff	Total Agency Funds
ASSETS						
Cash and cash equivalents	\$ 97,315	\$ 1,594	\$ 48,856	\$ 2,696	\$ 155,002	\$ 305,463
Total assets	\$ 97,315	\$ 1,594	\$ 48,856	\$ 2,696	\$ 155,002	\$ 305,463
LIABILITIES						
Accounts payable	\$ 12,445	\$ 1,594	\$ 3,068	\$ -	\$ 329	\$ 17,436
Due to other governments	-	-	45,788	-	-	45,788
Deposits	84,870	-	-	2,696	154,673	242,239
Total liabilities	\$ 97,315	\$ 1,594	\$ 48,856	\$ 2,696	\$ 155,002	\$ 305,463

PART III
COMPLIANCE



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Carson County, Texas

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and its respective budgetary comparison schedules, and the aggregate remaining fund information of Carson County, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Carson County, Texas' basic financial statements and have issued our report thereon dated April 5, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

DOSHIER, PICKENS & FRANCIS, L.L.C.

DOSHIER, PICKENS & FRANCIS, LLC
April 5, 2019

