

CARSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED
SEPTEMBER 30, 2019

CARSON COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR YEAR ENDED SEPTEMBER 30, 2019

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PART I

INTRODUCTORY SECTION

CARSON COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2019

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, 2019, and the related notes to the financial statements, which collectively comprise Carson County, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Carson County, Texas, as of September 30, 2019, 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 introductory section, combining and individual non-major fund financial statements, and statistical section, 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Carson County, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Carson County, Texas' internal control over financial reporting and compliance.

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

DOSHIER, PICKENS & FRANCIS, LLC
April 6, 2020

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BASIC FINANCIAL STATEMENTS

**CARSON COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,552,591
Investments	6,737,275
Accounts receivable, net	356,479
Delinquent taxes receivable, net	44,361
Prepaid items	65,326
Capital assets, net of accumulated depreciation	<u>11,102,819</u>
Total assets	<u>22,858,851</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	231,309
Pension deficient earnings	703,137
Pension assumption changes	<u>49,107</u>
Total deferred outflows of resources	<u>983,553</u>
LIABILITIES	
Accounts payable	252,348
Due to other governmental entities	45,846
Deferred revenues	28,000
Accrued interest	24,699
Noncurrent liabilities:	
Due within one year	416,254
Due in more than one year	4,684,949
Net pension liability	<u>1,101,783</u>
Total liabilities	<u>6,553,879</u>
DEFERRED INFLOWS OF RESOURCES	
Pension economic/demographic gains	<u>58,074</u>
Total deferred inflows of resources	<u>58,074</u>
NET POSITION	
Net investment in capital assets	6,120,472
Restricted:	
By enabling legislation	463,217
Debt service	1,340,086
Unrestricted	<u>9,306,676</u>
Total net position	<u>\$ 17,230,451</u>

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, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Net Position</u>
					<u>Primary</u>
					<u>Governmental</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government					
Governmental Activities:					
Administrative	\$ 1,387,970	\$ 174,950	\$ 25,200	\$ -	\$ (1,187,820)
Judicial	606,723	217,639	26,670	-	(362,414)
Public facilities	626,109	-	2,900	-	(623,209)
Public safety	2,321,071	40,024	91,726	-	(2,189,321)
Road and bridge	1,747,093	644,237	21,494	-	(1,081,362)
Public service	301,755	36,732	10,838	-	(254,185)
Interest on long-term debt	209,058	-	-	-	(209,058)
Total	\$ 7,199,779	\$ 1,113,582	\$ 178,828	\$ -	(5,907,369)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					2,875,871
Property taxes, levied for road and bridge					554,666
Property taxes, levied for lateral road					360,507
Property taxes, levied for debt service					536,448
Miscellaneous taxes					79,040
Payments in lieu of taxes					1,119,725
Investment earnings					261,131
Miscellaneous					233,995
Total general revenues					6,021,383
Change in net position					114,014
Net position - beginning					17,116,437
Net position - ending					\$ 17,230,451

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

**CARSON COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	General Fund	Road and Bridge Fund	Debt Service
ASSETS			
Cash and cash equivalents	\$ 2,136,849	\$ 1,743,682	\$ 256,785
Investments	4,720,000	845,000	1,082,275
Accounts receivable, net	356,360	-	-
Delinquent taxes receivable, net	29,826	8,882	5,653
Prepaid items	65,326	-	-
	\$ 7,308,361	\$ 2,597,564	\$ 1,344,713
LIABILITIES			
Accounts payable	\$ 146,066	\$ 64,105	\$ -
Due to other governmental entities	45,846	-	-
Deferred revenue	28,000	-	-
	219,912	64,105	-
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - delinquent property taxes	24,330	7,123	4,627
Unavailable revenue - accounts receivable	306,250	-	-
	330,580	7,123	4,627
FUND BALANCES			
Non-spendable:			
Prepaid items	65,326	-	-
Restricted:			
By enabling legislation	-	-	-
Debt service	-	-	1,340,086
Committed for:			
Special projects	-	2,526,336	-
Unassigned	6,692,543	-	-
	6,757,869	2,526,336	1,340,086
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,308,361	\$ 2,597,564	\$ 1,344,713

Non-Major Governmental	Total Governmental
\$ 415,275	\$ 4,552,591
90,000	6,737,275
119	356,479
-	44,361
-	65,326
\$ 505,394	\$ 11,756,032
\$ 42,177	\$ 252,348
-	45,846
-	28,000
42,177	326,194
-	36,080
-	306,250
-	342,330
-	65,326
463,217	463,217
-	1,340,086
-	2,526,336
-	6,692,543
463,217	11,087,508
\$ 505,394	\$ 11,756,032

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

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

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

Total fund balance - governmental funds	\$	11,087,508
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.		11,102,819
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements.		342,330
Pension contributions paid after the measurement date, December 31, 2018, and before September 30, 2019 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		231,309
Pension losses, deficient earnings, and assumption changes are shown as deferred outflows of resources in the government-wide financial statements.		
Pension deficient earnings		703,137
Pension assumption changes		49,107
Pension gains, and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(58,074)
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.		(1,101,783)
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		(24,699)
Bonds and leases payable		(4,982,347)
Accrued compensated absences		(118,856)
		(5,025,902)
Net position - governmental activities	\$	17,230,451

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, 2019

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Debt Service</u>
REVENUES			
Property taxes	\$ 2,872,629	\$ 913,991	\$ 535,940
Payments in lieu of taxes	1,119,725	-	-
Miscellaneous taxes	77,748	814	478
Licenses and fees	297,834	398,101	-
Fines and forfeitures	330,869	246,136	-
Intergovernmental	154,434	21,494	-
Sales	-	-	-
Investment earnings	187,531	61,126	10,552
Miscellaneous	70,204	67,768	4,686
	<u>5,110,974</u>	<u>1,709,430</u>	<u>551,656</u>
EXPENDITURES			
Current:			
Administrative	1,274,138	-	-
Judicial	562,735	-	-
Public facilities	598,218	-	-
Public safety	1,939,424	-	-
Road and bridge	-	1,306,740	-
Public service	291,709	-	-
Debt service:			
Principal	-	244,927	345,000
Interest	-	12,132	201,808
Capital outlay	73,684	159,805	-
	<u>4,739,908</u>	<u>1,723,604</u>	<u>546,808</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>371,066</u>	<u>(14,174)</u>	<u>4,848</u>
OTHER FINANCING SOURCES			
Transfers in	-	-	1,000,000
Transfers out	(1,000,000)	-	-
	<u>(1,000,000)</u>	<u>-</u>	<u>1,000,000</u>
NET CHANGE IN FUND BALANCES	(628,934)	(14,174)	1,004,848
FUND BALANCES - BEGINNING	<u>7,386,803</u>	<u>2,540,510</u>	<u>335,238</u>
FUND BALANCES - ENDING	<u>\$ 6,757,869</u>	<u>\$ 2,526,336</u>	<u>\$ 1,340,086</u>

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 4,322,560
-	1,119,725
-	79,040
58,963	754,898
-	577,005
-	175,928
14,004	14,004
1,922	261,131
94,237	236,895
169,126	7,541,186
21,799	1,295,937
14,029	576,764
-	598,218
67,120	2,006,544
-	1,306,740
-	291,709
-	589,927
-	213,940
212,480	445,969
315,428	7,325,748
(146,302)	215,438
-	1,000,000
-	(1,000,000)
-	-
(146,302)	215,438
609,519	10,872,070
\$ 463,217	\$ 11,087,508

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

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**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, 2019**

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

Net change in fund balances - total governmental funds:	\$	215,438
<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, \$445,969, was exceeded by depreciation, \$712,504, in the current period.</p>		
		(266,535)
<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>		
		(227,393)
<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>		
Principal repayments:		
Bonds payable		345,000
Note payable		35,616
Capital lease financing		209,311
<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		4,880
Compensated absences, net change		16,929
Deferred outflows of resources - pension plan		653,442
Deferred inflows of resources - pension plan		146,057
Net pension liability, net change		(1,018,731)
		(1,018,731)
Change in net position - governmental activities	\$	114,014

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, 2019

ASSETS		
Cash and cash equivalents		\$ 343,418
		<hr/>
Total assets		\$ 343,418
		<hr/> <hr/>
LIABILITIES		
Accounts payable		\$ 24,734
Due to other governments		69,565
Deposits		249,119
		<hr/>
Total liabilities		\$ 343,418
		<hr/> <hr/>

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

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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 revenues are reported instead as *general revenues*. In miscellaneous general revenues are non-program specific contributions including capital assets contributions.

Continued

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

Government-Wide Statements – Continuation

Fiduciary funds are excluded in the government-wide presentation of the financial statements.

Fund-Level Statements

All governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County considers property taxes and other revenues as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Grant and entitlement revenues are also susceptible to accrual. These funds are accounted for on a spending “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Any fiduciary funds, including agency funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses when they are incurred. Claims incurred but not reported are included in payables and expenses. These funds are accounted for using an economic resources measurement focus.

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The County reports the following major governmental funds:

General Fund – The *General Fund* is the general operating fund of the County. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for administrative, judicial, public facilities, public safety, public service, and capital acquisition.

Road and Bridge Fund – The *Road and Bridge Fund* is a special revenue fund used to account for the revenues derived from property taxes and license fees levied for purposes of road and bridge expenditures.

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.

Continued

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

Fund-Level Statements – Continuation

Additionally, the County reports the following fund types:

Special Revenue Funds – The *Special Revenue Funds* account for the proceeds of specific revenue sources (other than fiduciary funds) that are legally restricted to expenditures for specified purposes.

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

C. 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.

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

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, deposits within public fund investment pools and short-term investments with original maturities of three months or less from the date of acquisition. Statutes authorize the County to keep funds in demand deposits, time deposits, or securities of the United States. The County's custodial banks are required to pledge for the purpose of securing County funds, securities of the following kind, in an amount equal to the amount of such County funds: bonds and notes of the United States, securities of indebtedness of the United States, bonds of the State of Texas, or of any county, city, or independent school district, and various other bonds as described in Texas Statutes.

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, and maturity and the quality and capability of investment management, and 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 policies. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that in the area of investment practices management has established and reports appropriate policies. The County adheres to the requirements of the Act. Additionally, investment practices of the County are in accordance with local policies.

Continued

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

2. Receivables and Payables

Activities 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 inter-fund loans) or “advances to/from other funds” (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the County. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as unavailable revenues in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$9,043,296.

Payables consist of vendor obligations for goods and services as well as funds payable to others when the criteria for their release have been met.

3. Property Tax Calendar and Revenues

Property taxes are based on taxable value at January 1 and become due October 1 and past due after January 31 of the following year unless the half payment option is elected in which one-half the tax is due November 30, and the balance the following June 30. Tax collections after February 1 are treated as late payments and are subject to penalty and interest. Uncollected taxes from the current tax roll become delinquent on July 1 and are subject to additional penalties and interest. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levies are shown net of an allowance for uncollectible accounts of \$56,951.

4. Restricted Assets/Funds

The following accounts reflect restricted status by third-party or statutory obligations for specific purposes:

- Other Non-Major Governmental fund balances (amounts restricted for other specific purposes such as maintenance of the County's law library, management of public records, personnel and security for the courthouse, enhancement of local law enforcement operations with seized property, technology requirements for the justice courts, enhancement of the county attorney operations with fees from processing dishonored and forged checks, defraying the costs of collecting the vehicle inventory tax within the County, and maintenance of the commissary in the Sheriff's Department. All restrictions are enacted according to Texas statutes.)

Continued

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

5. Prepaid Items

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. The County uses the consumption method to record its prepaid items which requires reporting these items as assets and deferring the recognition of expenditures until the period in which prepaid items are used or consumed. In the fund financial statements, they are offset by a designation of non-spendable fund balance which indicates they do not represent “available spendable resources”.

6. Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. The County has opted to retroactively report infrastructure assets (assets acquired prior to October 1, 2003). According to the County’s capitalization policy, capital assets, such as equipment, are defined as individual assets (or systems of assets) having a cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	20-50 years
Infrastructure	75 years
Equipment	5-10 years

7. Compensated Absences

A liability for unused vacation and comp time for all full-time employees is calculated and reported in the government-wide financial statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

Regular full-time employees are entitled to vacation based on years of service. For 0 to 4 years the accrual is up to 10 workdays per year, for 5 to 10 years the accrual is up to 12 workdays per year, and for over 10 years of service the accrual is 15 workdays per year. However, not more than what could be accrued in 18 months can be held at any given point. All accumulated time, within the limit, is paid upon termination as long as the employee has passed the 6 month eligibility period.

Continued

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

7. Compensated Absences – Continuation

Comp time is accrued 1.5 times the regular hourly rate for each hour worked over 40 hours in a work week. The maximum accrual allowed before being paid is 240 hours for regular employees and 480 hours for law enforcement employees. Carson County's policy is to pay all law enforcement comp time earned on the September 25th payroll, and not roll any over. All other employees can roll over up to the maximum, as long as they are employed. Accrued vacation leave and comp time are accrued in the government-wide financial statements.

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

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 are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow or resources (expense/expenditure) until then. The government has multiple items that qualify for reporting in this category. They are the contributions and other items related to the County's pension plan reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has multiple items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are related to the County's pension plan and are reported in the government-wide statement of net position.

10. Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County's Texas County and District Retirement System Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, 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.

Continued

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

11. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Non-spendable Fund Balance – includes amounts that are (a) not in spendable forms, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of the resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the County’s highest level of decision-making authority, the Commissioners’ Court. Commitments may be changed or lifted only by the County taking the same formal action that imposed the constraint originally (for example: resolution or ordinance).

Assigned Fund Balance – includes amounts intended to be used by the County for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Commissioners’ Court or (b) a body (budget, finance committee, or County Official) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted or committed.

Unassigned Fund Balance – this classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

12. Net Position

In the government-wide financial statements, equity is classified as net assets and displayed in three categories.

Net Investment in Capital Assets – This amount consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.

Restricted Net Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted Net Position – This amount includes all net position amounts that do not meet the definition of “net investment in capital assets” or “restricted net position.”

Continued

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation

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

13. Fund Balance Policies

When the County incurs expenditures for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first, then unrestricted funds. When expenditures are 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.

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.

Continued

**CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information – Continuation

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.
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, 2019:

Cash and deposit balances consist of:

Petty cash funds	\$ 650
Bank deposits	1,218,161
Temporary investments - TexPool	639,184
Temporary investments - Texas CLASS	3,038,014
	3,038,014
Total	\$ 4,896,009

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

Government-wide Statement of Net Position:

Unrestricted	\$ 4,552,591
Fiduciary Funds Statement of Net Position	343,418
	343,418

Total	\$ 4,896,009
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CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS – Continuation

As of September 30, 2019, 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 1.8 - 2.58%)	\$ 6,737,275	
Total fair value	<u>\$ 6,737,275</u>	
Portfolio weighted average maturity		<u>392</u>

Custodial credit risk: As of September 30, 2019, the carrying amount of the County's deposits with financial institutions was \$7,955,436 and the bank's balance was \$8,040,636. Of the bank balance, \$5,913,980 was insured through the Federal Depository Insurance Corporation (FDIC) and \$2,126,656, was collateralized with securities held by the pledging institution's agent in the County's name.

As of September 30, 2019, the County had \$639,184 and \$3,038,014 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, 2019

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, 2019, 32% 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, 2019 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	9,958,611	36,207	(10,781)	9,984,037
Infrastructure	1,658,537	-	-	1,658,537
Equipment	6,315,819	409,762	-	6,725,581
Total capital assets, being depreciated	17,932,967	445,969	(10,781)	18,368,155
Less accumulated depreciation for:				
Buildings and improvements	(2,155,844)	(197,874)	10,781	(2,342,937)
Infrastructure	(832,132)	(22,114)	-	(854,246)
Equipment	(3,618,056)	(492,516)	-	(4,110,572)
Total accumulated depreciation	(6,606,032)	(712,504)	10,781	(7,307,755)
Total capital assets, being depreciated, net	11,326,935	(266,535)	-	11,060,400
Governmental activities capital assets, net	\$ 11,369,354	\$ (266,535)	\$ -	\$ 11,102,819

Continued

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

NOTE 4 – CAPITAL ASSETS – Continuation

Depreciation expense for the year ended September 30, 2019 was charged to the functions/programs of the primary government as follows:

Governmental activities	
Administrative	\$ 51,056
Judicial	269
Public facilities	12,809
Public safety	237,751
Road and bridge	401,705
Extension	8,914
	<hr/>
Total Depreciation Expense	<u>\$ 712,504</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 2018 tax roll was \$.417224 per \$100 for operations and \$.077841 per \$100 for debt service, which means that the County has a total tax margin of \$.304935 per \$100 and could raise up to \$2,110,597 additional revenue from the 2018 assessed valuation of \$692,146,390 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 2018 tax roll was \$.080499 per \$100, which means that the County has a tax margin of \$.219501 per \$100 and could raise up to \$1,508,408 additional revenue from the 2018 assessed valuation of \$687,198,550 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 2018 tax roll was \$.052657 per \$100, which means that the County has a tax margin of \$.097343 per \$100 and could raise up to \$668,940 additional revenue from the 2018 assessed valuation of \$687,198,550 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, 2019

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, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	43
Inactive employees entitled to but not yet receiving benefits	45
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 11.26% for the months of the accounting year in 2018 and 11.23% for the months of the accounting year in 2019. The contribution rate payable by the employee members is 7.0% for fiscal year 2019 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, 2018, 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, 2019**

NOTE 6 – RETIREMENT PLAN – Continuation

Actuarial Assumptions: The total pension liability in the December 31, 2018 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, 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 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, 2019

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	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	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	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

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, 2019

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, alternative methods to determine sufficiency may be applied.

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

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

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, 2019

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, 2017	\$ 11,539,254	\$ 11,456,202	\$ 83,052
Changes for the year:			
Service cost	374,535	-	374,535
Interest on total pension liability (1)	944,545	-	944,545
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(31,653)	-	(31,653)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(67,202)	(67,202)	-
Benefit payments	(448,319)	(448,319)	-
Administrative expenses	-	(9,003)	9,003
Member contributions	-	188,218	(188,218)
Net investment income	-	(213,701)	213,701
Employer contributions	-	302,762	(302,762)
Other (3)	-	420	(420)
Balances as of December 31, 2018	<u>\$ 12,311,160</u>	<u>\$ 11,209,377</u>	<u>\$ 1,101,783</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	\$ 13,654,057	\$ 12,311,160	\$ 11,151,422
Fiduciary net position	<u>11,209,377</u>	<u>11,209,377</u>	<u>11,209,377</u>
Net pension liability / (asset)	<u>\$ 2,444,680</u>	<u>\$ 1,101,783</u>	<u>\$ (57,955)</u>

Continued

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2018 to December 31, 2018
Service cost	\$ 374,535
Interest on total pension liability (1)	944,545
Effect of plan changes	-
Administrative expenses	9,003
Member contributions	(188,218)
Expected investment return net of investment expenses	(926,637)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(29,765)
Recognition of assumption changes or inputs	54,790
Recognition of investment gains or losses	289,256
Other (2)	(420)
Pension expense / (income)	\$ 527,089

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 58,074	\$ -
Changes of assumptions	-	49,107
Net difference between projected and actual earnings	-	703,137
Contributions made subsequent to measurement date	N/A	231,309

Continued

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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:	
2019	\$ 261,628
2020	114,453
2021	90,023
2022	228,066
2023	-
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, 2019, 2018, and 2017, were \$8,905, \$8,873, and \$12,490, respectively, which equaled the contractually required contributions each year.

NOTE 8 – CONCENTRATION OF TAXPAYERS

As of September 30, 2019, 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	\$ 339,161	7.81 %
Taxpayer B	Utilities	329,462	7.59
Taxpayer C	Utilities	223,374	5.14
Taxpayer D	Utilities	222,553	5.13

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019

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, 2019.

For the fiscal year ended September 30, 2019, Carson County abated property taxes totaling \$2,398,236 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 \$129,469.
- An 87 percent tax abatement to High Majestic Wind Energy II, LLC, and the abatement amounted to \$213,581.
- A 100 percent tax abatement to Pattern Panhandle Wind, LLC, and the abatement amounted to \$1,568,936.
- A 100 percent tax abatement to Route 66 Wind Power, LLC, and the abatement amounted to \$430,763.
- A 100 percent tax abatement to Grandview Wind Farm, LLC, and the abatement amounted to \$55,487.
- 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 2018 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, 2019

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 note payable was paid in full during the year ended September 30, 2019.

The annual debt service requirement on long-term liabilities outstanding as of September 30, 2019 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 135,785	\$ 70,413	\$ (87,342)	\$ 118,856	\$ 11,900
Note payable	35,616	-	(35,616)	-	-
Capital leases	361,658	-	(209,311)	152,347	49,354
Bonds payable:					
General Obligation Bonds, Series 2010	5,175,000	-	(345,000)	4,830,000	355,000
 Governmental activity long-term liabilities	 <u>\$ 5,708,059</u>	 <u>\$ 70,413</u>	 <u>\$ (677,269)</u>	 <u>\$ 5,101,203</u>	 <u>\$ 416,254</u>

Long-term liability activity for the year ended September 30, 2019, was as follows:

Fiscal Year	Total	General Obligation Bonds Series 2010		Capital Leases	
		Interest	Principal	Interest	Principal
2020	\$ 596,516	\$ 187,808	\$ 355,000	\$ 4,354	\$ 49,354
2021	597,016	173,308	370,000	2,935	50,773
2022	596,916	158,208	385,000	1,488	52,220
2023	547,408	142,408	405,000	-	-
2024	545,908	125,908	420,000	-	-
2025 - 2029	2,718,619	358,619	2,360,000	-	-
2030 - 2034	546,235	11,235	535,000	-	-
	<u>\$ 6,148,618</u>	<u>\$ 1,157,494</u>	<u>\$ 4,830,000</u>	<u>\$ 8,777</u>	<u>\$ 152,347</u>

The County paid interest expenses in the amount of \$213940 during the fiscal year ended September 30, 2019.

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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:		
2020	\$	53,708
2021		53,708
2022		53,708
		53,708
.		
Total Future Lease Payments		161,124
Less amount representing interest		8,777
Present value of future minimum lease payments	\$	152,347
Interest rates		2.85%
Equipment	\$	329,212
Less accumulated amortization		(68,586)
Net value	\$	260,626

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 \$63,805 for the year ended September 30, 2019. The future minimum lease payments for these are as follows:

For Year Ended:		
2020	\$	62,347
2021		23,754
2022		10,913
2023		10,913
2024		6,972
		6,972
.		
Total Future Lease Payments	\$	114,899

CARSON COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 2,784,024	\$ 2,784,024	\$ 2,872,629	\$ 88,605
Payments in lieu of taxes	1,119,725	1,119,725	1,119,725	-
Sales and miscellaneous taxes	80,781	80,781	77,748	(3,033)
Licenses and fees	360,902	360,902	297,834	(63,068)
Fines and forfeitures	323,045	323,045	330,869	7,824
Intergovernmental	177,058	177,058	154,434	(22,624)
Interest earnings	82,995	82,995	187,531	104,536
Miscellaneous	43,925	43,925	70,204	26,279
	<u>4,972,455</u>	<u>4,972,455</u>	<u>5,110,974</u>	<u>138,519</u>
EXPENDITURES				
Current:				
Administrative:				
Commissioners' Court	261,151	261,151	278,761	(17,610)
Historical Commission	4,115	4,115	1,332	2,783
County Auditor	141,996	141,996	138,514	3,482
Elections	31,959	31,959	26,668	5,291
County Judge	158,222	158,222	150,937	7,285
County and District Clerk	294,241	294,241	277,491	16,750
County Tax Assessor/Collector	286,034	286,034	275,031	11,003
County Treasurer	126,989	126,989	125,404	1,585
	<u>1,304,707</u>	<u>1,304,707</u>	<u>1,274,138</u>	<u>30,569</u>
Judicial:				
Justice of the Peace - 1	117,152	117,152	115,292	1,860
Justice of the Peace - 2	121,679	121,679	120,377	1,302
County Attorney	156,343	156,343	156,046	297
Jury	175,748	175,748	171,020	4,728
	<u>570,922</u>	<u>570,922</u>	<u>562,735</u>	<u>8,187</u>
Public facilities:				
Building and Maintenance:				
Permanent Improvement	307,739	307,739	102,600	205,139
Courthouse	74,472	74,472	68,365	6,107
Museum	12,625	12,625	12,349	276
Jail	93,372	93,372	109,805	(16,433)
Ag Building	12,854	12,854	11,414	1,440

Continued

CARSON COUNTY, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Continuation	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current:				
Public facilities:				
Building and Maintenance:				
DPS Office - Groom	\$ 4,813	\$ 4,813	\$ 4,528	\$ 285
Justice of the Peace - 1	5,309	5,309	4,756	553
Libraries	6,880	6,880	6,977	(97)
Library	<u>295,903</u>	<u>295,903</u>	<u>277,424</u>	<u>18,479</u>
Total public facilities	<u>813,967</u>	<u>813,967</u>	<u>598,218</u>	<u>215,749</u>
Public safety:				
County-wide	220,000	210,000	212,815	(2,815)
DPS - Panhandle	2,550	2,550	2,523	27
County Sheriff	1,595,985	1,595,985	1,634,860	(38,875)
AIP Grant Fund	<u>117,544</u>	<u>117,544</u>	<u>89,226</u>	<u>28,318</u>
Total public safety	<u>1,936,079</u>	<u>1,926,079</u>	<u>1,939,424</u>	<u>(13,345)</u>
Public service:				
Extension Services	140,522	138,587	115,529	23,058
Social Services	691,818	691,818	170,880	520,938
Soil Conservation	<u>5,300</u>	<u>5,300</u>	<u>5,300</u>	<u>-</u>
Total public service	<u>837,640</u>	<u>835,705</u>	<u>291,709</u>	<u>543,996</u>
Capital outlay	<u>100,000</u>	<u>100,000</u>	<u>73,684</u>	<u>26,316</u>
Total expenditures	<u>5,563,315</u>	<u>5,551,380</u>	<u>4,739,908</u>	<u>811,472</u>
EXCESS OF REVENUES				
OVER (UNDER) EXPENDITURES	<u>(590,860)</u>	<u>(578,925)</u>	<u>371,066</u>	<u>949,991</u>
OTHER FINANCING SOURCES				
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)
Transfers out	<u>-</u>	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Total other financing sources	<u>1,000</u>	<u>1,000</u>	<u>(1,000,000)</u>	<u>(1,001,000)</u>
NET CHANGE IN FUND BALANCE	(589,860)	(577,925)	(628,934)	(51,009)
FUND BALANCES - BEGINNING	<u>7,386,803</u>	<u>7,386,803</u>	<u>7,386,803</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 6,796,943</u>	<u>\$ 6,808,878</u>	<u>\$ 6,757,869</u>	<u>\$ (51,009)</u>

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**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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 881,384	\$ 881,384	\$ 913,991	\$ 32,607
Motor vehicle sales tax	1,200	1,200	814	(386)
Licenses and fees	369,440	369,440	398,101	28,661
Fines and forfeitures	216,956	216,956	246,136	29,180
Intergovernmental	33,544	21,544	21,494	(50)
Interest earnings	26,066	26,066	61,126	35,060
Miscellaneous	40,856	52,856	67,768	14,912
	<u>1,569,446</u>	<u>1,569,446</u>	<u>1,709,430</u>	<u>139,984</u>
Total revenues				
EXPENDITURES:				
Current:				
Road and bridge				
Precinct #1	526,511	526,511	356,594	169,917
Precinct #2	412,618	412,618	366,044	46,574
Precinct #3	457,785	437,667	280,788	156,879
Precinct #4	444,389	444,389	303,314	141,075
	<u>1,841,303</u>	<u>1,821,185</u>	<u>1,306,740</u>	<u>514,445</u>
Total road and bridge				
Debt service:				
Principal	-	244,927	244,927	-
Interest	-	12,133	12,132	1
	<u>-</u>	<u>257,060</u>	<u>257,059</u>	<u>1</u>
Total debt service				
Capital outlay	486,000	228,940	159,805	69,135
	<u>486,000</u>	<u>228,940</u>	<u>159,805</u>	<u>69,135</u>
Total expenditures				
	<u>2,327,303</u>	<u>2,307,185</u>	<u>1,723,604</u>	<u>583,581</u>
NET CHANGE IN FUND BALANCE	(757,857)	(737,739)	(14,174)	723,565
FUND BALANCE - BEGINNING	<u>2,540,510</u>	<u>2,540,510</u>	<u>2,540,510</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,782,653</u>	<u>\$ 1,802,771</u>	<u>\$ 2,526,336</u>	<u>\$ 723,565</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,			
	2018	2017	2016	2015
Total Pension Liability:				
Service cost	\$ 374,535	\$ 384,190	\$ 380,970	\$ 319,034
Interest on total pension liability	944,545	879,992	809,704	755,763
Effect of plan changes	-	-	-	(41,514)
Effect of assumption changes or inputs	-	98,214	-	120,945
Effect of economic/demographic (gains) or losses	(31,653)	(52,723)	(31,894)	(2,788)
Benefit payments/refunds of contributions	(515,521)	(491,103)	(485,884)	(468,292)
Net change in total pension liability	771,906	818,570	672,896	683,148
Total pension liability, beginning	11,539,254	10,720,684	10,047,788	9,364,640
Total pension liability, ending (a)	<u>\$ 12,311,160</u>	<u>\$ 11,539,254</u>	<u>\$ 10,720,684</u>	<u>\$ 10,047,788</u>
Fiduciary Net Position:				
Employer contributions	\$ 302,762	\$ 297,773	\$ 298,734	\$ 298,951
Member contributions	188,218	187,785	184,730	187,793
Investment income net of investment expenses	(213,701)	1,460,829	688,174	(17,574)
Benefit payments/refunds of contributions	(515,521)	(491,103)	(485,884)	(468,292)
Administrative expenses	(9,003)	(7,619)	(7,484)	(6,683)
Other	420	(147)	46,478	35,039
Net change in fiduciary net position	(246,825)	1,447,518	724,748	29,234
Fiduciary net position, beginning	11,456,202	10,008,684	9,283,936	9,254,702
Fiduciary net position, ending (b)	<u>\$ 11,209,377</u>	<u>\$ 11,456,202</u>	<u>\$ 10,008,684</u>	<u>\$ 9,283,936</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 1,101,783</u>	<u>\$ 83,052</u>	<u>\$ 712,000</u>	<u>\$ 763,852</u>
Fiduciary net position as a % of total pension liability	91.05%	99.28%	93.36%	92.40%
Pensionable covered payroll	\$ 2,688,829	\$ 2,682,636	\$ 2,638,997	\$ 2,559,511
Net pension liability as a % of covered payroll	40.98%	3.10%	26.98%	29.84%

Year Ended December 31,

2014	2013	2012	2011	2010	2009
\$ 306,915	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
703,857	N/A	N/A	N/A	N/A	N/A
-	N/A	N/A	N/A	N/A	N/A
-	N/A	N/A	N/A	N/A	N/A
9,377	N/A	N/A	N/A	N/A	N/A
(381,820)	N/A	N/A	N/A	N/A	N/A
638,329	N/A	N/A	N/A	N/A	N/A
8,726,311	N/A	N/A	N/A	N/A	N/A
<u>\$ 9,364,640</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 356,008	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
161,717	N/A	N/A	N/A	N/A	N/A
590,961	N/A	N/A	N/A	N/A	N/A
(381,820)	N/A	N/A	N/A	N/A	N/A
(6,892)	N/A	N/A	N/A	N/A	N/A
(77,677)	N/A	N/A	N/A	N/A	N/A
642,297	N/A	N/A	N/A	N/A	N/A
8,612,405	N/A	N/A	N/A	N/A	N/A
<u>\$ 9,254,702</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<u>\$ 109,938</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
98.83%	N/A	N/A	N/A	N/A	N/A
\$ 2,310,236	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
4.76%	N/A	N/A	N/A	N/A	N/A

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%
2019	307,858	307,858	-	2,739,573	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	7.7 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	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017 2018: No changes in plan provisions were reflected in the Schedule

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.

**CARSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

Special Revenue						
	Law Library	County Records Management	Courthouse Security	Sheriff Forfeiture and Seizure	Judicial Technology	District & County Clerk Technology
ASSETS						
Cash and cash equivalents	\$ 4,698	\$ 56,073	\$ 49,538	\$ 236,900	\$ 11,963	\$ 3,275
Investments	-	-	60,000	-	30,000	-
Accounts receivable, net	-	-	-	-	119	-
Total assets	\$ 4,698	\$ 56,073	\$ 109,538	\$ 236,900	\$ 42,082	\$ 3,275
LIABILITIES						
Accounts payable	\$ -	\$ 433	\$ -	\$ 41,744	\$ -	\$ -
Total liabilities	-	433	-	41,744	-	-
FUND BALANCES						
Restricted:						
By enabling legislation	4,698	55,640	109,538	195,156	42,082	3,275
Total fund balances	4,698	55,640	109,538	195,156	42,082	3,275
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,698	\$ 56,073	\$ 109,538	\$ 236,900	\$ 42,082	\$ 3,275

Continued

**CARSON COUNTY, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

Continuation

	<u>Special Revenue</u>			Total Non- Major Governmental Funds
	<u>Check Collection</u>	<u>VIT Interest</u>	<u>Jail Commissary</u>	
ASSETS				
Cash and cash equivalents	\$ 8,615	\$ 728	\$ 43,485	\$ 415,275
Investments	-	-	-	90,000
Accounts receivable, net	-	-	-	119
Total assets	<u>\$ 8,615</u>	<u>\$ 728</u>	<u>\$ 43,485</u>	<u>\$ 505,394</u>
LIABILITIES				
Accounts payable	-	-	-	42,177
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,177</u>
FUND BALANCES				
Restricted:				
By enabling legislation	8,615	728	43,485	463,217
Total fund balances	<u>8,615</u>	<u>728</u>	<u>43,485</u>	<u>463,217</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,615</u>	<u>\$ 728</u>	<u>\$ 43,485</u>	<u>\$ 505,394</u>

CARSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue					
	Law Library	County Records Management	Courthouse Security	Sheriff Forfeiture and Seizure	Judicial Technology	District & County Clerk Technology
REVENUES						
Licenses and fees	\$ 4,308	\$ 34,649	\$ 11,114	\$ -	\$ 8,296	\$ 596
Sales	-	-	-	-	-	-
Investment earnings	-	110	1,181	-	588	7
Miscellaneous	-	-	-	94,222	-	-
Total revenues	<u>4,308</u>	<u>34,759</u>	<u>12,295</u>	<u>94,222</u>	<u>8,884</u>	<u>603</u>
EXPENDITURES						
Current:						
Administrative	-	21,799	-	-	-	-
Judicial	2,758	-	2,963	-	8,308	-
Public safety	-	-	-	44,392	-	-
Capital outlay	-	-	-	212,480	-	-
Total expenditures	<u>2,758</u>	<u>21,799</u>	<u>2,963</u>	<u>256,872</u>	<u>8,308</u>	<u>-</u>
EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES	1,550	12,960	9,332	(162,650)	576	603
FUND BALANCES - BEGINNING	<u>3,148</u>	<u>42,680</u>	<u>100,206</u>	<u>357,806</u>	<u>41,506</u>	<u>2,672</u>
FUND BALANCES - ENDING	<u>\$ 4,698</u>	<u>\$ 55,640</u>	<u>\$ 109,538</u>	<u>\$ 195,156</u>	<u>\$ 42,082</u>	<u>\$ 3,275</u>

Continued

CARSON COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Continuation

	<u>Special Revenue</u>			Total Non- Major Governmental Funds
	<u>Check Collection</u>	<u>VIT Interest</u>	<u>Jail Commissary</u>	
REVENUES				
Licenses and fees	\$ -	\$ -	\$ -	\$ 58,963
Sales	-	-	14,004	14,004
Investment earnings	18	18	-	1,922
Miscellaneous	15	-	-	94,237
	<u>33</u>	<u>18</u>	<u>14,004</u>	<u>169,126</u>
Total revenues				
EXPENDITURES				
Current:				
Administrative	-	-	-	21,799
Judicial	-	-	-	14,029
Public safety	-	-	22,728	67,120
Capital Outlay	-	-	-	212,480
	<u>-</u>	<u>-</u>	<u>22,728</u>	<u>315,428</u>
Total expenditures				
EXCESS OF REVENUES OVER / (UNDER) EXPENDITURES	33	18	(8,724)	(146,302)
FUND BALANCES - BEGINNING	<u>8,582</u>	<u>710</u>	<u>52,209</u>	<u>609,519</u>
FUND BALANCES - ENDING	<u>\$ 8,615</u>	<u>\$ 728</u>	<u>\$ 43,485</u>	<u>\$ 463,217</u>

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, 2019

	<u>County and District Clerk</u>	<u>Justices of the Peace</u>	<u>Tax Assessor Collector</u>	<u>Inmate Trust</u>	<u>Sheriff</u>	<u>Total Agency Funds</u>
ASSETS						
Cash and cash equivalents	\$ 112,720	\$ 1,846	\$ 73,326	\$ 1,103	\$ 154,423	\$ 343,418
Total assets	<u>\$ 112,720</u>	<u>\$ 1,846</u>	<u>\$ 73,326</u>	<u>\$ 1,103</u>	<u>\$ 154,423</u>	<u>\$ 343,418</u>
LIABILITIES						
Accounts payable	\$ 19,127	\$ 1,846	\$ 3,761	\$ -	\$ -	\$ 24,734
Due to other governments	-	-	69,565	-	-	69,565
Deposits	<u>93,593</u>	<u>-</u>	<u>-</u>	<u>1,103</u>	<u>154,423</u>	<u>249,119</u>
Total liabilities	<u>\$ 112,720</u>	<u>\$ 1,846</u>	<u>\$ 73,326</u>	<u>\$ 1,103</u>	<u>\$ 154,423</u>	<u>\$ 343,418</u>

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, each major fund, and the aggregate remaining fund information of Carson County, Texas, as of and for the year ended September 30, 2019, 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 6, 2020.

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. 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 6, 2020