

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

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FOR YEAR ENDED SEPTEMBER 30, 2019

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PART I

INTRODUCTORY SECTION

CASTRO COUNTY, TEXAS
PRINCIPAL COUNTY OFFICIALS
SEPTEMBER 30, 2019

Carroll Gerber	County Judge
Paul Ramirez	Commissioner, Precinct #1
Tim Elliott	Commissioner, Precinct #2
Michael Goolsby	Commissioner, Precinct #3
Ralph Brockman	Commissioner, Precinct #4
Danah Zirpoli.	Judge, 64 th Judicial District
Kregg Hukill	Judge, 242 nd Judicial District
Shalyn Hamlin	County and District Attorney
JoAnna Blanco	County and District Clerk
Pamala Rickert	County Tax Assessor/Collector
Elaine D. Flynt	County Treasurer
Salvador Rivera	County Sheriff
Stephen Taylor	Justice of the Peace
John Kropp	County Constable

PART II
FINANCIAL SECTION



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Castro County, 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 Castro County, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. 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, the aggregate remaining fund information of Castro 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 management's discussion and analysis (pages 3 – 7), the schedules of revenues, expenditures and changes in fund balances – budget and actual – for the general and road and bridge funds; the schedule of changes in net pension liability and related ratios, and the schedule of employer contributions (pages 39 – 46) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining nonmajor 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 February 20, 2020, on our consideration of Castro 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 Castro 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 Castro County, Texas' internal control over financial reporting and compliance.

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

DOSHIER, PICKENS & FRANCIS, LLC
February 20, 2020

CASTRO COUNTY DIMMITT, TEXAS

PAULINE GEORGE
FINANCIAL ADMINISTRATOR

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FAX (806) 647-3052

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THE ROSS BUILDING
114 S. BROADWAY

DIMMITT, TEXAS
79027



MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Financial Highlights

Government-Wide Financial Statements

- The assets and deferred outflows of Castro County exceed its liabilities and deferred inflows at September 30, 2019 by \$6,979,237 (net position). Of this amount \$827,440 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors, \$355,942 (restricted net position) legally must be used for expenditures for specified purposes, such as library, juvenile probation, etc., and \$5,795,855 of the County's equity is invested in capital assets, net of related debt.
- The County's total long-term debt outstanding at September 30, 2019 was \$6,145,286.
- The net position (equity) of the County increased by \$497,027 during the 2019 fiscal year.

Fund Financial Statements

- As of September 30, 2019, Castro County's governmental funds reported combined ending fund balances of \$1,733,317. This fund balance reflects a decrease of \$4,570,262 for the current year. Approximately 43.2% of fund balance \$749,058 is available for spending at the government's discretion.
- As of September 30, 2019 non-spendable fund balance consisted of \$53,037 for prepaid expenses, restricted fund balance and fund balance committed special funds was \$893,349 and fund balance committed to capital projects \$37,873.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The statement of net position presents information on all of Castro County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Castro County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements reflect functions of Castro County that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of Castro County include administrative, judicial, legal, public facilities, public safety, public services and road and bridge.

The government-wide financial statements can be found on pages 8 – 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Castro County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Castro County can be divided into two categories: governmental funds and fiduciary funds.

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

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

Castro County maintains three governmental fund types which are the general fund, special revenue funds, and capital project funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds balance sheet for the general fund, the general road and bridge fund (special revenue fund), and individual road and bridge funds for each of the County's four precincts (also special revenue funds), which are all considered to be major funds. Data from the other non-major governmental funds (special revenue funds and capital project funds) are combined into the aggregated presentation. Individual fund data for each of these non-major governmental funds (special revenue funds) is provided in the form of combined statements elsewhere in this report.

The governmental fund financial statements can be found on pages 10 – 13 of this report.

Castro County adopts an annual appropriated budget for its general fund, road and bridge fund (special revenue fund), and various other special revenue funds. Budgetary comparison statements have been provided for the general fund and the County's various road and bridge funds to demonstrate the County's compliance with the budget on pages 40 – 44.

Fiduciary funds. Fiduciary funds are used to account for assets held by Castro County in a trustee capacity or as an agent for other governmental units. The County's fiduciary funds are all reported as Agency Funds. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's basic programs. The basic agency fund financial statement can be found on page 14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statements in this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds (special revenue funds) and agency funds are presented immediately following the required supplementary information. Combining statements can be found on pages 47 – 55 of this report.

GOVERNMENT-WIDE FINACIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Castro County, assets exceeded liabilities by \$6,979,237 at September 30, 2019 as detailed below:

Statement of Net Position - Governmental Activities

	<u>9/30/2019</u>	<u>9/30/2018</u>
Current and other assets	\$ 2,134,539	\$ 6,851,348
Capital assets (net of accumulated depreciation)	<u>11,941,140</u>	<u>6,624,727</u>
Total assets	<u>14,075,679</u>	<u>13,476,075</u>
Deferred outflows of resources:		
Pension contributions	182,327	166,775
Pension economic/demographic losses	-	4,162
Pension deficient earnings	632,858	-
Pension assumption changes	<u>33,579</u>	<u>50,369</u>
Total deferred outflows of resources	<u>848,764</u>	<u>221,306</u>
Current and other liabilities	1,083,982	1,076,236
Net pension liability	1,240,407	278,425
Long-term liabilities	<u>5,586,101</u>	<u>5,697,924</u>
Total liabilities	<u>7,910,490</u>	<u>7,052,585</u>
Deferred inflows of resources:		
Pension economic/demographic gains	34,716	38,695
Pension excess earnings	<u>-</u>	<u>123,891</u>
Total deferred inflows of resources	<u>34,716</u>	<u>162,586</u>
Net position:		
Net investment in capital assets	5,795,855	2,874,779
Restricted net position	355,942	362,457
Unrestricted net position	<u>827,440</u>	<u>3,244,974</u>
Total net position	<u>\$ 6,979,237</u>	<u>\$ 6,482,210</u>

\$5,795,855 of Castro County's net position (83.0 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is outstanding. Castro County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Castro County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The government's net position increased by \$497,027 during the year ended September 30, 2019 as noted below:

Statement of Activities

	Net Change	09/30/19	09/30/18
Governmental Activities			
Revenues			
Program Revenues			
Charges for service	\$ 234,473	\$ 985,567	\$ 751,094
Operating grants and contributions	3,158	398,585	395,427
Capital grants and contributions	-	-	-
General Revenue			
Property taxes	119,169	2,814,488	2,695,319
Payments in lieu of taxes	-	952,000	952,000
Other taxes	(8,181)	212,613	220,794
Investment earnings	(73,461)	115,614	189,075
Miscellaneous revenues	25,802	174,746	148,944
Gain on sale of assets	375,201	376,201	1,000
Total revenues	<u>676,161</u>	<u>6,029,814</u>	<u>5,353,653</u>
Expenses			
General government	107,734	955,465	847,731
Judicial	33,567	351,105	317,538
Public facilities	(59,068)	435,899	494,967
Public safety	167,975	1,802,570	1,634,595
Road and bridge	(17,019)	1,431,009	1,448,028
Public Services	(28,608)	402,712	431,320
Interest on long-term debt	(42,979)	154,027	197,006
Total expenses	<u>161,602</u>	<u>5,532,787</u>	<u>5,371,185</u>
Change in net assets before transfers	514,559	497,027	(17,532)
Prior period restatement / Transfers	-	-	-
Change in net position	<u>\$ 514,559</u>	497,027	(17,532)
Net assets - beginning of year		6,482,210	6,499,742
Net assets - ending of year		<u>\$ 6,979,237</u>	<u>\$ 6,482,210</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Castro County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of September 30, 2019, Castro County's governmental funds reported combined ending fund balances of \$1,733,317. Approximately 43.2 percent of this total amount or \$749,058 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either restricted for special revenue purposes or committed to special projects, \$893,349, capital projects \$37,873, or in a nonspendable form (prepaid insurance) in the amount of \$53,037.

The general fund is the chief operating fund of the County. The unassigned fund balance at September 30, 2019 represents 25.60 percent of the total general fund expenditures.

FUND BUDGETARY HIGHLIGHTS

The original budget for the General Fund reflected a loss of \$2,534,973 which reduced fund balance. The final amended budget resulted in a loss of \$2,461,806. The actual expenditures were \$229,892 less than the final budgeted amounts, and the actual revenues were \$105,098 more than was budgeted resulting in a favorable variance of \$334,990.

In the Road and Bridge Funds (special revenue funds), the combined original budgets reflect a deficit of \$236,479 which drew upon fund balance. The final amended budgets resulted in a deficit of \$324,729. The combined actual expenditures were \$505,113 more than the final budgeted amounts, and combined actual revenues and net transfers were \$40117 less than was budgeted resulting in a unfavorable variance of \$545,230.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Castro County’s investment in capital assets for its governmental activities as of September 30, 2019, amounts to \$11,941,140 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment. The County follows guidance from the Governmental Accounting Standards Board (“GASB”) for accounting for and reporting of infrastructure assets (roads and bridges). Consequently, the County does not currently have any infrastructure assets that are required to be included on the government wide financial statements.

Governmental activities capital assets were as follows:

	<u>9/30/2019</u>	<u>9/30/2018</u>
Land	\$ 54,495	\$ 54,495
Construction in progress	-	4,762,770
Buildings and improvements	9,610,793	754,902
Equipment	<u>2,275,852</u>	<u>1,052,560</u>
Total	<u>\$ 11,941,140</u>	<u>\$ 6,624,727</u>

Additional information on Castro County’s capital assets can be found in Note 4 of this report.

CAPITAL LEASES PAYABLE

Capital Leases Payable. During the year ended September 30, 2019 Castro County had \$710,286 in capital lease payables.

ECONOMIC FACTORS AND NET YEAR’S BUDGET AND RATES

- The agriculture economy in the region is stable.
- The County promotes and encourages economic development to improve the economy.
- Castro County’s goal is to improve the quality of life of all its citizens.

All of these factors were considered in preparing Castro County’s budget for the 2019 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Castro County’s finances for those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the County Financial Administrator, Castro County Courthouse, 100 E. Bedford, Dimmitt, TX 79027.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,185,442
Investments	570,983
Delinquent taxes receivable, net	38,477
Accounts receivable, net	191,142
Due from other governmental entities	95,435
Prepaid expenses	53,037
Restricted assets:	
Cash and cash equivalents	23
Capital assets, net of accumulated depreciation	<u>11,941,140</u>
Total assets	<u>14,075,679</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions	182,327
Pension deficient earnings	632,858
Pension assumption changes	<u>33,579</u>
Total deferred outflows of resources	<u>848,764</u>
LIABILITIES	
Accounts payable	40,294
Accrued payroll and benefits	185,808
Due to other governmental entities	31,501
Accrued interest	30,758
Noncurrent liabilities:	
Due within one year	795,621
Due in more than one year	5,586,101
Net pension liability	<u>1,240,407</u>
Total liabilities	<u>7,910,490</u>
DEFERRED INFLOWS OF RESOURCES	
Pension economic/demographic gains	<u>34,716</u>
Total deferred inflows of resources	<u>34,716</u>
NET POSITION	
Net investment in capital assets	5,795,854
Restricted:	
By enabling legislation for special projects	187,501
Special projects	125,300
Capital projects	37,873
Debt Service	5,268
Unrestricted	<u>827,441</u>
Total net position	<u><u>\$ 6,979,237</u></u>

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

**CASTRO COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR 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>Activities</u>
Primary government					
Governmental Activities:					
Administrative	\$ 955,465	\$ 319,418	\$ 25,200	\$ -	\$ (610,847)
Judicial	351,105	36,177	41,356	-	(273,572)
Public facilities	435,899	21,677	46,261	-	(367,961)
Public safety	1,802,570	90,319	14,273	-	(1,697,978)
Road and bridge	1,431,009	516,761	25,325	-	(888,923)
Public services	402,712	1,215	246,170	-	(155,327)
Interest on long-term debt	154,027	-	-	-	(154,027)
Total	<u>\$ 5,532,787</u>	<u>\$ 985,567</u>	<u>\$ 398,585</u>	<u>\$ -</u>	<u>(4,148,635)</u>
General revenues:					
Taxes:					
Property taxes					2,253,705
Property taxes, levied for road and bridge					560,783
Payments in lieu of taxes					952,000
Sales and miscellaneous taxes					212,613
Interest earnings					115,614
Miscellaneous					174,746
Gain on sale of capital assets					376,201
Total general revenues					<u>4,645,662</u>
Change in net position					497,027
Net position - beginning					<u>6,482,210</u>
Net position - ending					<u>\$ 6,979,237</u>

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

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

	<u>General</u>	<u>Combined Road and Bridge</u>	<u>LEC and Jail Capital Projects</u>
ASSETS			
Cash and cash equivalents	\$ 390,335	\$ 460,271	\$ 23
Investments	429,395	141,588	-
Delinquent taxes receivable, net	30,034	8,443	-
Accounts receivable, net	153,292	-	37,850
Due from other funds	18,732	-	-
Due from other governmental entities	90,195	2,590	-
Prepaid items	36,823	16,025	-
	<u>1,148,806</u>	<u>628,917</u>	<u>37,873</u>
Total assets	<u>\$ 1,148,806</u>	<u>\$ 628,917</u>	<u>\$ 37,873</u>
LIABILITIES			
Accounts payable	\$ 20,436	\$ 18,181	\$ -
Due to other funds	-	1,984	-
Accrued payroll and benefits	117,127	55,695	-
Due to other governmental entities	31,340	80	-
	<u>168,903</u>	<u>75,940</u>	<u>-</u>
Total liabilities	<u>168,903</u>	<u>75,940</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	18,878	5,480	-
Unavailable revenue - other receivables	119,261	-	-
	<u>138,139</u>	<u>5,480</u>	<u>-</u>
Total deferred inflows of resources	<u>138,139</u>	<u>5,480</u>	<u>-</u>
FUND BALANCES			
Non-spendable:			
Prepaid items	36,823	16,025	-
Restricted:			
By enabling legislation for special projects	-	-	-
Special projects	-	-	-
Capital projects	-	-	37,873
Debt service	-	-	-
Committed:			
Special projects	31,060	538,177	-
Unassigned (deficit)	773,881	(6,705)	-
	<u>841,764</u>	<u>547,497</u>	<u>37,873</u>
Total fund balances	<u>841,764</u>	<u>547,497</u>	<u>37,873</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,148,806</u>	<u>\$ 628,917</u>	<u>\$ 37,873</u>

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ 334,836	\$ 1,185,465
-	570,983
-	38,477
-	191,142
-	18,732
2,650	95,435
189	53,037
<u>337,675</u>	<u>2,153,271</u>
\$ 1,677	\$ 40,294
16,748	18,732
12,986	185,808
81	31,501
<u>31,492</u>	<u>276,335</u>
-	24,358
-	119,261
<u>-</u>	<u>143,619</u>
189	53,037
187,501	187,501
125,300	125,300
-	37,873
5,268	5,268
6,043	575,280
(18,118)	749,058
<u>306,183</u>	<u>1,733,317</u>
<u>\$ 337,675</u>	<u>\$ 2,153,271</u>

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

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CASTRO 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	\$	1,733,317
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.		11,941,140
Long-term assets are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements		143,619
Pension losses, deficient earnings, and assumption changes are shown as deferred outflows of resources in the government-wide financial statements.		
Pension deficient earnings		632,858
Pension assumption changes		33,579
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.		182,327
Pension gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(34,716)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Accrued interest payable		(30,758)
Certificates of obligation, and capital leases		(6,145,286)
Bond premium		(212,676)
Accrued compensated absences		(23,760)
Net pension liability		<u>(1,240,407)</u>
Net position - governmental activities	\$	<u><u>6,979,237</u></u>

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

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

	<u>General</u>	<u>Combined Road and Bridge</u>	<u>LEC and Jail Capital Projects</u>
REVENUES			
Property taxes	\$ 2,251,853	\$ 560,794	\$ -
Payments in lieu of taxes	952,000	-	-
Sales and miscellaneous taxes	212,613	-	-
Licenses and fees	189,631	516,761	-
Fines and forfeitures	165,898	-	-
Intergovernmental	80,829	25,324	-
Interest earnings	60,667	27,226	21,049
Miscellaneous	140,213	11,889	-
Total revenues	<u>4,053,704</u>	<u>1,141,994</u>	<u>21,049</u>
EXPENDITURES			
Current:			
Administrative	817,941	-	-
Judicial	322,003	-	-
Public facilities	251,500	-	-
Public safety	1,696,008	-	-
Road and bridge	-	1,148,953	-
Public services	65,508	-	-
Debt service:			
Principal	-	123,964	-
Interest	-	517	-
Capital outlay	79,210	1,029,931	4,130,278
Total expenditures	<u>3,232,170</u>	<u>2,303,365</u>	<u>4,130,278</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>821,534</u>	<u>(1,161,371)</u>	<u>(4,109,229)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	834,250	-
Proceeds from sale of assets	-	3,000	-
Transfers in	-	-	2,078,589
Transfers out	(2,974,939)	-	-
Total other financing sources (uses)	<u>(2,974,939)</u>	<u>837,250</u>	<u>2,078,589</u>
NET CHANGE IN FUND BALANCES	(2,153,405)	(324,121)	(2,030,640)
FUND BALANCES - BEGINNING	<u>2,995,169</u>	<u>871,618</u>	<u>2,068,513</u>
FUND BALANCES - ENDING	<u>\$ 841,764</u>	<u>\$ 547,497</u>	<u>\$ 37,873</u>

<u>Non-Major Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ 2,812,647
-	952,000
-	212,613
64,270	770,662
1,880	167,778
292,431	398,584
6,672	115,614
22,642	174,744
<u>387,895</u>	<u>5,604,642</u>
86,344	904,285
15,157	337,160
131,684	383,184
15,126	1,711,134
-	1,148,953
317,969	383,477
600,000	723,964
169,850	170,367
10,211	5,249,630
<u>1,346,341</u>	<u>11,012,154</u>
<u>(958,446)</u>	<u>(5,407,512)</u>
-	834,250
-	3,000
896,350	2,974,939
-	(2,974,939)
<u>896,350</u>	<u>837,250</u>
(62,096)	(4,570,262)
<u>368,279</u>	<u>6,303,579</u>
<u>\$ 306,183</u>	<u>\$ 1,733,317</u>

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

CASTRO 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:	\$	(4,570,262)
<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, \$5,249,630, exceeded depreciation, \$306,418, in the current period.</p>		
		4,943,212
<p>In the Statement of Activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital asset sold.</p>		
		(11,299)
<p>The Statement of Activities reports gains arising from the trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.</p>		
		384,500
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue.</p>		
		48,971
<p>In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.</p>		
Debt issued or incurred:		
Capital lease financing		(834,250)
Principal repayments:		
Certificates of Obligation		600,000
Capital lease financing		123,964
<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		(10,244)
Amortization of bond premium		26,585
Compensated absences, net change		2,503
Deferred outflows of resources:		
Pension contributions, net change		15,553
Pension economic/demographic loss		(4,162)
Pension deficient earnings		632,858
Pension assumption changes		(16,790)
Deferred inflows of resources:		
Pension economic/demographic gain		3,979
Pension excess earnings		123,891
Net pension liability, net change		(961,982)
Change in net position of governmental activities	\$	497,027

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

CASTRO COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2019

ASSETS		
Cash and cash equivalents		\$ <u>222,725</u>
Total assets		\$ <u><u>222,725</u></u>
LIABILITIES		
Accounts payable		\$ 516
Due to other governments		61,673
Deposits		<u>160,536</u>
Total liabilities		\$ <u><u>222,725</u></u>

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Castro 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 1876, 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*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support. The County has no Business-type activities.

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.

Continued

CASTRO 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

Government-Wide Statements – Continuation

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

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 proprietary funds, including internal service and 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:

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 services, and capital acquisition.

Continued

CASTRO 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

The **Combined 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.

The **LEC and Jail Capital Projects Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, the County reports the following fund types:

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.

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.

The **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, 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, 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.

Continued

CASTRO 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

1. Deposits and Investments – Continuation

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 polices.

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 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 revenue in the fund statements. Receivables are shown net of an allowance for uncollectible accounts of \$5,738,517.

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 between October and December are considered early and are entitled to discounts. 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 \$110,811.

Continued

CASTRO 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

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 management, preservation, and retention of public records, personnel and security for the courthouse, technology requirements for the justice court, administration of pre-trial diversion programs, defraying the County’s voter registration expenses, continuing education costs, enhancement of law enforcement operations with seized and forfeited funds, supplementing salaries, holding and disbursing unclaimed funds to the State Comptroller, maintenance of the County’s Law Library, and enhancement of the County Attorney’s operations with fees from processing dishonored and forged checks. All restrictions are enacted according to Texas statutes.)
- In addition to the statutory restrictions the County has also received grant awards from various State and Federal agencies. These awards are all restricted for the stated purposes of the grant.
- The County has also received donations from outside donors. Those donations are restricted for the for the enhancement of Centennial Plaza, the Rhoads Memorial Library, and the maintenance of the tip based hotline operated out of the Sheriff’s Department.

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 buildings and improvements, and vehicles and equipment, are reported in the government-wide financial statements. The County has opted to not retroactively report infrastructure assets. 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	5 - 40 years
Vehicles and equipment	5 - 20 years

Continued

CASTRO 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

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 of one to three weeks (depending upon years of service and employee classification) per year as earned. Vacation time earned, but not taken, is paid upon termination, but cannot be accumulated beyond what would be earned in one year plus one week. Compensation time is accrued at one and one-half the employee's regular rate for each hour worked over forty hours in a work week. After it is accrued, it is treated like vacation time earned and is paid upon termination. Sick leave accrues at 6.66 hours per month; however, unused sick leave is not paid upon termination. 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. On the bond issues, bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred.

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, losses, and assumption changes related to the County's pension plan reported in the government-wide statement of net position.

Continued

CASTRO 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

9. Deferred Outflows/Inflows of Resources – Continuation

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an 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 government has several 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 item, *pension economic/demographic gains* is related to the changes in the County's net pension liability and is 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.

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.

Continued

CASTRO 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 – Continuation

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 position 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.”

13. Fund Balance Policies

When the County incurs an expenditure 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.

Continued

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – Continuation

A. Budgetary Information – Continuation

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 Funds.
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 the General Fund and the Road and Bridge Funds.
5. Budgets for the General and the Road and Bridge Special Revenue Funds are adopted on a basis consistent with GAAP on the modified accrual basis of accounting on an annual basis.
6. Formal budgetary integration on an annual basis is employed as a management control device during the year for the General Fund and the Road and Bridge Funds.
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 Disbursements Over Appropriations

For the year ended September 30, 2019, expenditures exceeded appropriations in the following departments, County Judge (\$2,177), Road and Bridge, Precinct 1 Debt Service and Capital Outlay (\$100,000 and \$76,528, respectively), Road and Bridge, Precinct 2 Operations and Capital Outlay (\$1,531 and \$477,982, respectively), and Road and Bridge, Precinct 4 Operations and Capital Outlay (\$188 and \$170,241, respectively). The over expenditures in the General Fund were funded by lower than anticipated expenditures in every other department of the County. The over expenditures in the Road and Bridge Precincts were funded by the proceeds from capital leases entered into during the year.

C. Deficit Fund Balance

The Rhoads Memorial Library and Road and Bridge, Precinct 4 Funds had deficit unassigned fund balances of \$18,118 and \$6,705, respectively. In the current year the funds incurred expenditures in excess of the collected revenues. The County plans on covering the deficit in the Rhoads Memorial Library Fund with transfers from other funds and covering the deficit in Precinct 4 with subsequent collections.

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

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:

Cash on hand	\$ 1,100
Bank deposits	1,407,090
	1,407,090
Total	\$ 1,408,190

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

Government-wide Statement of Net Position:

Unrestricted	\$ 1,185,442
Restricted	23
Fiduciary Funds Statement of Net Position	222,725
	222,725
Total	\$ 1,408,190

As of September 30, 2019, the County had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Days)
Governmental activities		
Unrestricted		
Certificates of deposit (interest rates at 2.39% - 2.91%)	\$ 570,983	
	570,983	
Total fair value	\$ 570,983	
Portfolio weighted average maturity		365

Custodial credit risk – deposits. As of September 30, 2019, the carrying amount of the County's deposits with financial institutions was \$1,978,073 and the bank's balance was \$2,090,446. Of the bank balance, \$476,588 was insured through the Federal Depository Insurance Corporation (FDIC) and the remaining \$1,613,858 was collateralized with securities held by the pledging institution’s agent in the County’s name.

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, or in certificates of deposit with weighted average maturities of one year or less.

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.

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, 100% of the County’s carrying value of cash was deposited with the County’s depository banks and was adequately secured as described above.

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

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 not opted to report its infrastructure retroactively.

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 54,495	\$ -	\$ -	-	\$ 54,495
Construction in process	4,762,770	4,130,278	-	(8,893,048)	-
Total capital assets, not being depreciated	4,817,265	4,130,278	-	(8,893,048)	54,495
Capital assets, being depreciated					
Buildings and improvements	1,544,967	8,610	-	8,893,048	10,446,625
Vehicles and equipment	4,480,162	1,495,242	(858,875)	-	5,116,529
Total capital assets, being depreciated	6,025,129	1,503,852	(858,875)	8,893,048	15,563,154
Less accumulated depreciation for:					
Buildings and improvements	(790,065)	(45,767)	-	-	(835,832)
Vehicles and equipment	(3,427,602)	(260,651)	847,576	-	(2,840,677)
Total accumulated depreciation	(4,217,667)	(306,418)	847,576	-	(3,676,509)
Total capital assets, being depreciated, net	1,807,462	1,197,434	(11,299)	8,893,048	11,886,645
Governmental activities capital assets, net	\$ 6,624,727	\$ 5,327,712	\$ (11,299)	-	\$ 11,941,140

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

Governmental activities		
Administrative		\$ 3,794
Public facilities		44,217
Public safety		34,835
Road and bridge		223,572
Total Depreciation Expense		\$ 306,418

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

NOTE 5 – PROPERTY TAX

The State of Texas Constitutional tax rate limit for both operations and debt service is \$0.80 on each \$100 of assessed valuation. The tax rate on the 2018 tax roll was \$0.4792 per \$100, which means that the County has a tax margin of \$0.3208 per \$100 and could raise up to \$1,560,323 additional revenue from the 2018 assessed valuation of \$486,385,060 before the limit is reached.

The State of Texas Constitutional tax rate limit for the maintenance of farm-to-market roads is \$0.30 on each \$100 of assessed valuation. The tax rate on the 2018 tax roll was \$0.1198 per \$100, which means that the County has a tax margin of \$0.1802 per \$100 and could raise up to \$872,539 additional revenue from the 2018 assessed valuation of \$484,205,670 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.

NOTE 6 – SALES TAX

The County is entitled by provision of the State of Texas to a one-cent sales tax on all sales that occur within the County. The tax is assessed as a property tax reduction, for the County to use as general revenues. This sales tax is remitted monthly by the Comptroller of the State of Texas.

NOTE 7 – RETIREMENT PLAN

Plan Description: Castro 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 677 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.

Continued

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

NOTE 7 – RETIREMENT PLAN – Continuation

Employees Covered by Benefit Terms: At September 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	62
Active employees	67

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 11.01% for the months of the accounting year in 2018 and 10.83% 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.

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:

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

In the 2015 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.

Continued

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

NOTE 7 – RETIREMENT PLAN – Continuation

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	3.25%

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 are provided by TCDRS' investment consultant, Cliffwater, LLC. The numbers shown are based on January 2019 information for a 7-10 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

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

NOTE 7 – 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)
US 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 (MLPs)	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) Funds 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

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

NOTE 7 – 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

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

NOTE 7 – 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	\$ 10,696,959	\$ 10,418,534	\$ 278,425
Changes for the year:			
Service cost	274,048	-	274,048
Interest on total pension liability (1)	862,291	-	862,291
Effect of plan changes (2)	-	-	-
Effect of economic/demographic gains or losses	(11,893)	-	(11,893)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(79,686)	(79,686)	-
Benefit payments	(584,115)	(584,115)	-
Administrative expenses	-	(7,965)	7,965
Member contributions	-	145,867	(145,867)
Net investment income	-	(197,318)	197,318
Employer contributions	-	229,428	(229,428)
Other (3)	-	(7,548)	7,548
Balances as of December 31, 2018	<u>\$ 11,157,604</u>	<u>\$ 9,917,197</u>	<u>\$ 1,240,407</u>

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

(2) No plan changes valued.

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

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 12,407,774	\$ 11,157,604	\$ 10,090,912
Fiduciary net position	<u>9,917,197</u>	<u>9,917,197</u>	<u>9,917,197</u>
Net pension liability / (asset)	<u>\$ 2,490,577</u>	<u>\$ 1,240,407</u>	<u>\$ 173,715</u>

Continued

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

NOTE 7 – 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	\$ 274,048
Interest on total pension liability (1)	862,291
Effect of plan changes	-
Administrative expenses	7,965
Member contributions	(145,867)
Expected investment return net of investment expenses	(831,828)
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	(11,710)
Recognition of assumption changes or inputs	16,790
Recognition of investment gains or losses	272,397
Other (2)	7,548
Pension expense / (income)	\$ 451,634

(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	\$ 34,716	\$ -
Changes of assumptions	-	33,579
Net difference between projected and actual earnings	-	632,858
Contributions made subsequent to measurement date	N/A	182,327

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:

Continued

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

NOTE 7 – RETIREMENT PLAN – Continuation

Year ended December 31:	
2019	\$ 250,429
2020	95,436
2021	80,026
2022	205,830
Thereafter	-

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual Fund Inter-fund Receivables and Payables

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 18,732	\$ -
Special Revenue Funds:		
Road and Bridge, Precinct 4	-	1,984
Castro/Swisher Juvenile Probation	-	3,600
Rhoads Memorial Library	-	13,148
	<u>\$ 18,732</u>	<u>\$ 18,732</u>

The primary purpose of inter-fund receivables and payables is the loaning of funds from the General Fund to Special Revenue Funds for the purpose of meeting current year expenditures.

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ -	\$ 2,974,939
Capital Projects Fund	2,078,589	-
Special Revenue Funds:		
Castro/Swisher Juvenile Probation	68,000	-
Rhoads Memorial Library	45,500	-
County Clerk Records Management	13,000	-
Debt Service Fund	769,850	-
	<u>\$ 2,974,939</u>	<u>\$ 2,974,939</u>

The primary purpose for inter-fund transfers is to move revenues from the General Fund to finance various programs and operations in other funds that the County must account for separately in accordance with budgetary authorizations, including debt service principal and interest and amounts provided as subsidies or matching funds for various grant programs.

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

NOTE 9 – TAX ABATEMENTS

During the year ended September 30, 2013, Castro 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 Castro County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with a currently anticipated capacity of 306 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. In addition to the commitments for eligibility the Company has agreed to make payments in lieu of taxes annually in the amount of \$1,200 per megawatt of turbine nameplate capacity during the abatement period, this has not resulted in a payment to County as of September 30, 2019 as the Company has not presented a Certificate of Completed Construction to the County.

During the year ended September 30, 2013, Castro 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 Castro County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with a minimum capacity of 100 megawatts of overall Turbine Nameplate Capacity. In addition, the project will add at least \$1,000,000 to the tax roll and create no fewer than 3 new permanent full-time jobs. 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. In addition to the commitments for eligibility the Company has agreed to make payments in lieu of taxes annually in the amount of \$2,000 per megawatt of turbine nameplate capacity during the abatement period, this resulted in payments in lieu of taxes for the current year of \$400,000.

During the year ended September 30, 2014, Castro 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 Castro County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with a currently anticipated capacity of approximately 300 megawatts of overall Turbine Nameplate Capacity. In addition, the project will have an initial market value of approximately \$365,000. 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. In addition to the commitments for eligibility the Company has agreed to make payments in lieu of taxes annually in the amount of \$1,200 per megawatt of turbine nameplate capacity during the abatement period, this has not resulted in a payment to County as of September 30, 2019 as the Company has not presented a Certificate of Completed Construction to the County.

Continued

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

NOTE 9 – TAX ABATEMENTS – Continuation

During the year ended September 30, 2015, Castro 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 Castro County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with a minimum capacity of 100 megawatts and a currently anticipated capacity of approximately 200 megawatts of overall Turbine Nameplate Capacity. In addition, the project will add at least \$1,000,000 to the tax roll and create no fewer than 3 new permanent full-time jobs. 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. In addition to the commitments for eligibility the Company has agreed to make payments in lieu of taxes annually in the amount of \$2,000 per megawatt of turbine nameplate capacity during the abatement period, this resulted in payments in lieu of taxes for the current year of \$552,000.

During the year ended September 30, 2016, Castro 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 Castro County. To be eligible the Company agreed to construct improvements consisting of a wind power facility with a minimum capacity of 15 megawatts of overall Turbine Nameplate Capacity. In addition, the project will have an initial market value of approximately \$25,000,000. 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. In addition to the commitments for eligibility the Company has agreed to make payments in lieu of taxes annually in the amount of \$1,800 per megawatt of turbine nameplate capacity during the abatement period, this has not resulted in a payment to County as of September 30, 2019 as the Company has not presented a Certificate of Completed Construction to the County.

For the fiscal year ended September 30, 2019, Castro County abated property taxes totaling \$3,051,055 under this program, including the following tax abatement agreements:

- A 100 percent tax abatement to TX Hereford Wind II, LLC, for \$1,475,415.
- A 100 percent tax abatement to Orion Wind Resources, LLC, for \$1,575,640.

NOTE 10 – CONCENTRATION OF TAXPAYERS

As of September 30, 2019, the following taxpayers accounted for a significant portion of the County’s total tax levy.

<u>Taxpayer</u>	<u>Industry</u>	<u>Tax Amount</u>	<u>Percent of Total Levy</u>
Taxpayer A	Utilities	\$ 152,429	5.24 %
Taxpayer B	Utilities	148,443	5.10 %

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

NOTE 11 – LONG-TERM LIABILITIES

The County has entered into three capital leases, each for heavy equipment. The obligations under capital lease have been recorded in the accompanying financial statements at the present value of the minimum lease payments, discounted at an interest rate of 3.65%, 4.15%, and 5.722%, respectively. The terms of these obligations range from fiscal years ended 2020 to 2025.

In 2017, the County issued \$6,565,000 of Certificates of Obligation, Series 2017, for the purpose of constructing and equipping the Castro 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% - 4.0%.

Certificates of Obligations 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 2018.

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	\$ 26,263	\$ 52,993	\$ (55,496)	\$ 23,760	\$ 2,000
Capital leases	-	834,250	(123,964)	710,286	183,621
Certificates of Obligation					
Series 2018	6,035,000	-	(600,000)	5,435,000	610,000
Bond premium	239,261	-	(26,585)	212,676	-
	<u>6,300,524</u>	<u>887,243</u>	<u>(806,045)</u>	<u>6,381,722</u>	<u>795,621</u>
Governmental activity long-term liabilities	<u>\$ 6,300,524</u>	<u>\$ 887,243</u>	<u>\$ (806,045)</u>	<u>\$ 6,381,722</u>	<u>\$ 795,621</u>

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

Fiscal Year	Total	Capital Leases		Certificates of Obligation Series 2018	
		Interest	Principal	Interest	Principal
2020	\$ 966,457	\$ 15,086	\$ 183,621	\$ 157,750	\$ 610,000
2021	885,787	28,065	90,447	142,275	625,000
2022	886,737	23,191	95,321	123,225	645,000
2023	887,087	18,047	100,465	103,575	665,000
2024	933,832	12,414	151,618	79,800	690,000
2025 - 2028	2,394,381	5,217	88,814	100,350	2,200,000
	<u>\$ 6,954,281</u>	<u>\$ 102,020</u>	<u>\$ 710,286</u>	<u>\$ 706,975</u>	<u>\$ 5,435,000</u>

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

NOTE 12 – LEASES

Capital Leases

The County has entered into various capital leases for heavy 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	\$	198,707
2021		118,512
2022		118,512
2023		118,512
2024		164,032
2025 - 2029		94,031
Total Future Lease Payments		812,306
Less amount representing interest		102,020
Present value of future minimum lease payments	\$	710,286
Interest rates		3.650 - 5.722%
Equipment	\$	1,290,162
Less accumulated amortization		(42,605)
Net value	\$	1,247,557

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 \$24,699 for the year ended September 30, 2019. The future minimum lease payments for these are as follows:

For Year Ended:		
2020	\$	18,744
2021		3,774
2022		2,700
2023		2,700
2024		2,700
Total Future Lease Payments	\$	30,618

CASTRO 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.

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CASTRO 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	\$ 2,260,834	\$ 2,260,834	\$ 2,251,853	\$ (8,981)
Payments in lieu of taxes	952,000	952,000	952,000	-
Sales and miscellaneous taxes	211,700	211,700	212,613	913
Licenses and fees	154,705	154,705	189,631	34,926
Fines and forfeitures	154,800	154,800	165,898	11,098
Intergovernmental	67,500	67,500	80,829	13,329
Interest earnings	51,100	51,100	60,667	9,567
Miscellaneous	22,800	95,967	140,213	44,246
	<u>3,875,439</u>	<u>3,948,606</u>	<u>4,053,704</u>	<u>105,098</u>
EXPENDITURES				
Current:				
Administrative				
County Judge	139,700	138,620	140,797	(2,177)
County Clerk	208,220	208,220	192,987	15,233
County Tax Assessor/Collector	158,665	158,665	154,004	4,661
County Treasurer	165,945	165,945	161,552	4,393
Elections	29,375	29,375	17,446	11,929
Veteran's Administration	10,450	10,450	9,758	692
Professional services	131,500	134,015	111,950	22,065
Non-departmental	21,300	16,675	11,085	5,590
Other	17,775	19,885	18,362	1,523
	<u>882,930</u>	<u>881,850</u>	<u>817,941</u>	<u>63,909</u>
Judicial				
242nd District Court	68,150	60,255	58,166	2,089
64th District Court	57,350	65,245	64,295	950
Justice of the Peace	93,090	93,090	75,787	17,303
County Attorney	125,565	125,565	122,198	3,367
Miscellaneous judicial	5,000	3,670	1,557	2,113
	<u>349,155</u>	<u>347,825</u>	<u>322,003</u>	<u>25,822</u>
Public facilities				
Courthouse	233,225	243,625	213,813	29,812
Ross building	8,700	8,650	4,760	3,890
Annex	200	250	246	4

Continued

CASTRO 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 Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Public facilities - continuation				
APPR annex	\$ 9,050	\$ 9,050	\$ 8,281	\$ 769
Expo	26,000	26,000	22,494	3,506
Sunnyside dam	2,000	2,000	1,906	94
Total public facilities	<u>279,175</u>	<u>289,575</u>	<u>251,500</u>	<u>38,075</u>
Public safety				
County Sheriff	789,125	831,175	816,680	14,495
Jail	848,170	846,770	819,179	27,591
Constable	12,020	12,020	11,317	703
Department of public safety	12,685	12,685	4,671	8,014
Fire prevention	50,420	50,420	44,161	6,259
Total public safety	<u>1,712,420</u>	<u>1,753,070</u>	<u>1,696,008</u>	<u>57,062</u>
Public services				
Health and welfare	11,862	11,862	10,964	898
Extension office	61,720	61,720	54,544	7,176
Total public services	<u>73,582</u>	<u>73,582</u>	<u>65,508</u>	<u>8,074</u>
Capital outlay	<u>164,800</u>	<u>116,160</u>	<u>79,210</u>	<u>36,950</u>
Total expenditures	<u>3,462,062</u>	<u>3,462,062</u>	<u>3,232,170</u>	<u>229,892</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>413,377</u>	<u>486,544</u>	<u>821,534</u>	<u>(124,794)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(2,948,350)</u>	<u>(2,948,350)</u>	<u>(2,974,939)</u>	<u>(26,589)</u>
Total other financing sources (uses)	<u>(2,948,350)</u>	<u>(2,948,350)</u>	<u>(2,974,939)</u>	<u>(26,589)</u>
NET CHANGE IN FUND BALANCE	(2,534,973)	(2,461,806)	(2,153,405)	308,401
FUND BALANCE - BEGINNING	<u>2,995,169</u>	<u>2,995,169</u>	<u>2,995,169</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 460,196</u>	<u>\$ 533,363</u>	<u>\$ 841,764</u>	<u>\$ 308,401</u>

CASTRO COUNTY, TEXAS
PRECINCT #1 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	\$ 146,295	\$ 146,295	\$ 145,807	\$ (488)
Licenses and fees	159,000	159,000	141,294	(17,706)
Intergovernmental	6,400	6,400	6,331	(69)
Investment earnings	5,150	5,150	7,122	1,972
Miscellaneous	-	-	3,256	3,256
	<u>316,845</u>	<u>316,845</u>	<u>303,810</u>	<u>(13,035)</u>
Total revenues				
EXPENDITURES				
Current:				
Road and bridge	298,035	295,600	291,326	4,274
Debt service:				
Principal	48,000	-	100,000	(100,000)
Capital outlay	54,450	154,885	231,413	(76,528)
	<u>400,485</u>	<u>450,485</u>	<u>622,739</u>	<u>(172,254)</u>
Total expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(83,640)</u>	<u>(133,640)</u>	<u>(318,929)</u>	<u>(185,289)</u>
OTHER FINANCING SOURCES				
Proceeds from capital leases	-	-	177,000	177,000
Proceeds from sale of capital assets	-	-	3,000	3,000
	<u>-</u>	<u>-</u>	<u>180,000</u>	<u>180,000</u>
Total other financing sources				
NET CHANGE IN FUND BALANCE				
	(83,640)	(133,640)	(138,929)	(5,289)
FUND BALANCE - BEGINNING				
	<u>254,418</u>	<u>254,418</u>	<u>254,418</u>	<u>-</u>
FUND BALANCE - ENDING				
	<u>\$ 170,778</u>	<u>\$ 120,778</u>	<u>\$ 115,489</u>	<u>\$ (5,289)</u>

CASTRO COUNTY, TEXAS
PRECINCT #2 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	\$ 140,669	\$ 140,669	\$ 140,197	\$ (472)
Licenses and fees	147,000	147,000	131,774	(15,226)
Intergovernmental	6,400	6,400	6,331	(69)
Investment earnings	5,140	5,140	6,580	1,440
Miscellaneous	-	-	1,734	1,734
	<u>299,209</u>	<u>299,209</u>	<u>286,616</u>	<u>(12,593)</u>
EXPENDITURES				
Current:				
Road and bridge	339,445	302,015	303,546	(1,531)
Capital outlay	36,000	100,930	578,912	(477,982)
	<u>375,445</u>	<u>402,945</u>	<u>882,458</u>	<u>(479,513)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(76,236)</u>	<u>(103,736)</u>	<u>(595,842)</u>	<u>(492,106)</u>
OTHER FINANCING SOURCES				
Proceeds from capital leases	-	-	485,000	485,000
	<u>-</u>	<u>-</u>	<u>485,000</u>	<u>485,000</u>
NET CHANGE IN FUND BALANCE				
	(76,236)	(103,736)	(110,842)	(7,106)
FUND BALANCE - BEGINNING				
	<u>202,458</u>	<u>202,458</u>	<u>202,458</u>	<u>-</u>
FUND BALANCE - ENDING				
	<u>\$ 126,222</u>	<u>\$ 98,722</u>	<u>\$ 91,616</u>	<u>\$ (7,106)</u>

CASTRO COUNTY, TEXAS
PRECINCT #3 ROAD AND BRIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 137,856	\$ 137,856	\$ 137,395	\$ (461)
Licenses and fees	140,400	140,400	126,199	(14,201)
Intergovernmental	6,400	6,400	6,331	(69)
Investment earnings	5,830	5,830	10,559	4,729
Miscellaneous	-	-	1,700	1,700
Total revenues	290,486	290,486	282,184	(8,302)
EXPENDITURES				
Current:				
Road and bridge	276,445	276,445	253,803	22,642
Capital outlay	15,000	15,000	11,975	3,025
Total expenditures	291,445	291,445	265,778	25,667
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(959)	(959)	16,406	17,365
NET CHANGE IN FUND BALANCE	(959)	(959)	16,406	17,365
FUND BALANCE - BEGINNING	326,824	326,824	326,824	-
FUND BALANCE - ENDING	\$ 325,865	\$ 325,865	\$ 343,230	\$ 17,365

**CASTRO COUNTY, TEXAS
PRECINCT #4 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	\$ 137,856	\$ 137,856	\$ 137,395	\$ (461)
Licenses and fees	128,700	128,700	117,494	(11,206)
Intergovernmental	6,400	6,400	6,331	(69)
Investment earnings	2,615	2,615	2,965	350
Miscellaneous	-	-	5,199	5,199
	<u>275,571</u>	<u>275,571</u>	<u>269,384</u>	<u>(6,187)</u>
Total revenues				
EXPENDITURES				
Current:				
Road and bridge	286,215	300,090	300,278	(188)
Debt service:				
Principal	25,000	23,965	23,964	1
Interest	-	520	517	3
Capital outlay	40,000	37,390	207,631	(170,241)
	<u>351,215</u>	<u>361,965</u>	<u>532,390</u>	<u>(170,425)</u>
Total expenditures				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(75,644)</u>	<u>(86,394)</u>	<u>(263,006)</u>	<u>(176,612)</u>
OTHER FINANCING SOURCES				
Proceeds from capital leases	-	-	172,250	172,250
	<u>-</u>	<u>-</u>	<u>172,250</u>	<u>172,250</u>
Total other financing sources				
NET CHANGE IN FUND BALANCE	(75,644)	(86,394)	(90,756)	(4,362)
FUND BALANCE - BEGINNING	<u>87,918</u>	<u>87,918</u>	<u>87,918</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 12,274</u>	<u>\$ 1,524</u>	<u>\$ (2,838)</u>	<u>\$ (4,362)</u>

CASTRO 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	\$ 274,048	\$ 269,770	\$ 309,056	\$ 260,103
Interest on total pension liability	862,291	823,818	770,984	716,753
Effect of plan changes	-	-	-	(39,004)
Effect of assumption changes or inputs	-	67,158	-	106,293
Effect of economic/demographic (gains) or losses	(11,893)	(51,594)	12,485	111,407
Benefit payments/refunds of contributions	(663,801)	(614,068)	(505,059)	(450,109)
Net change in total pension liability	460,645	495,084	587,466	705,442
Total pension liability, beginning	10,696,959	10,201,875	9,614,409	8,908,967
Total pension liability, ending (a)	<u>\$ 11,157,604</u>	<u>\$ 10,696,959</u>	<u>\$ 10,201,875</u>	<u>\$ 9,614,409</u>
Fiduciary Net Position:				
Employer contributions	\$ 229,428	\$ 198,483	\$ 196,529	\$ 326,752
Member contributions	145,867	138,799	137,539	144,713
Investment income net of investment expenses	(197,318)	1,359,774	652,147	(51,942)
Benefit payments/refunds of contributions	(663,801)	(614,068)	(505,059)	(450,109)
Administrative expenses	(7,965)	(6,929)	(7,092)	(6,341)
Other	(7,548)	(3,775)	44,645	46,787
Net change in fiduciary net position	(501,337)	1,072,284	518,709	9,860
Fiduciary net position, beginning	10,418,534	9,346,250	8,827,541	8,817,681
Fiduciary net position, ending (b)	<u>\$ 9,917,197</u>	<u>\$ 10,418,534</u>	<u>\$ 9,346,250</u>	<u>\$ 8,827,541</u>
Net pension liability / (asset), ending = (a) - (b)	<u>\$ 1,240,407</u>	<u>\$ 278,425</u>	<u>\$ 855,625</u>	<u>\$ 786,868</u>
Fiduciary net position as a % of total pension liability	88.88%	97.40%	91.61%	91.82%
Pensionable covered payroll	\$ 2,083,810	\$ 1,982,843	\$ 1,964,843	\$ 2,057,634
Net pension liability as a % of covered payroll	59.53%	14.04%	43.55%	38.24%

Year Ended December 31,

2014	2013	2012	2011	2010	2009
\$ 245,996	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
682,578	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
(101,772)	N/A	N/A	N/A	N/A	N/A
(439,673)	N/A	N/A	N/A	N/A	N/A
387,129	N/A	N/A	N/A	N/A	N/A
8,521,837	N/A	N/A	N/A	N/A	N/A
<u>\$ 8,908,966</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
\$ 299,581	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
124,961	N/A	N/A	N/A	N/A	N/A
562,485	N/A	N/A	N/A	N/A	N/A
(439,673)	N/A	N/A	N/A	N/A	N/A
(6,585)	N/A	N/A	N/A	N/A	N/A
(18,461)	N/A	N/A	N/A	N/A	N/A
522,308	N/A	N/A	N/A	N/A	N/A
8,295,373	N/A	N/A	N/A	N/A	N/A
<u>\$ 8,817,681</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
<u>\$ 91,285</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>	<u>\$ N/A</u>
98.98%	N/A	N/A	N/A	N/A	N/A
\$ 1,785,150	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
5.11%	N/A	N/A	N/A	N/A	N/A

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

Year Ending September 30:	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2015	\$ 215,865	\$ 315,865	\$ (100,000)	\$ 1,952,330	16.2%
2016	206,720	320,778	(114,058)	2,003,433	16.0%
2017	195,292	200,296	(5,004)	1,948,905	10.3%
2018	221,818	221,818	-	2,064,643	10.7%
2019	244,981	244,981	-	2,252,600	10.9%

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	12.8 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.00%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both 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 or committed by the County to expenditures for specified purposes.

Castro/Swisher Juvenile Probation Department – The Castro/Swisher Juvenile Probation Department accounts for grants received from the Texas Juvenile Justice Department as well as local funds used for providing juvenile probation services.

Centennial Plaza – The Centennial Plaza Fund accounts for funds donated by the residents of Castro County. The funds are restricted by the donors for improvements made to the plaza.

Hazel Merritt Bequest – The Hazel Merritt Bequest Fund accounts for funds that were left to Castro County, Texas by Hazel Merritt. The funds are restricted by the terms of the will for the benefit of the library.

Rhoads Memorial Library Donations & Memorials – The Rhoads Memorial Library Donations & Memorials Fund accounts for funds that are donated to the County. The funds are restricted by the donors for the benefit of the library.

Rhoads Memorial Library – The Rhoads Memorial Library Fund accounts for funds received from the City of Dimmitt to supplement expenditures incurred by the operation of the library. The funds are restricted by the City for the use of the library.

Chapter 19 – Voter Registration – The Chapter 19- Voter Registration Fund accounts for funds issued by the Texas Secretary of State to voter registrars in Texas to help defray the County's voter registration expenses. The funds are restricted by law to be spent on any item or services designed to increase the number of registered voters, maintain and report an accurate list of the number of registered voters, and/or increase the efficiency of the voter registration office.

County Judge Excess Salary Supplement – The County Judge Excess Salary Supplement Fund accounts for additional received from the State of Texas to supplement the salary of the County Judge. The funds are restricted by law to be used to supplement the County Judge's office.

Sheriff's Petty Cash – The Sheriff's Petty Cash Fund accounts for funds committed by the Commissioners' Court to cover the costs associated with prisoner transportation.

Sheriff's Special Account – The Sheriff's Special Account Fund accounts for donations received from the residents of Castro County. The funds are restricted by the donors for the use and betterment of the county residents.

Unclaimed Property – The Unclaimed Property Fund accounts for outstanding checks from offices that are older than one year.

Check & Sight – The Check and Sight Fund accounts for fees collected by the County Attorney for every hot check processed through the 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.

Courthouse Security – The Courthouse Security Fund accounts for statutory filing fees collected by the District and County Clerks which are dedicated by law to maintain the security of the courthouse.

County Clerk Records Management – The County Clerk Records Management Fund accounts for revenue from fees collected by the County Clerk on court cases. The fees are dedicated by law to be used for specific records management projects of the office.

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

Constable Law Enforcement Education – The Constable Law Enforcement Education Fund accounts for funds received from the State of Texas on behalf of the Constable. The funds are dedicated by law for the use of continuing education of law enforcement personnel.

Sheriff's Forfeited Funds – The Sheriff's Forfeited Funds accounts for the assets and proceeds from the disposition of assets used in the commission of criminal activity and subsequently seized. The funds are dedicated by law to be used supplement the costs of the Sheriff's office.

County/District Attorney Forfeited Funds – The County/District Attorney Forfeited Funds accounts for the assets and proceeds from the disposition of assets used in the commission of criminal activity and subsequently seized. The funds are dedicated by law to be used supplement the costs of the County/District Attorney's office.

Sheriff Law Enforcement Education – The Sheriff Law Enforcement Education Fund accounts for funds received from the State of Texas on behalf of the Sheriff. The funds are dedicated by law for the use of continuing education of law enforcement personnel.

Justice Court Technology – The Justice Court Technology Fund accounts for money charged to a defendant convicted of a misdemeanor in a justice court. It is designated for the purpose of financing the purchase of technological enhancements for a justice court.

District Clerk Records Archive – The District Clerk Records Archive Fund accounts for fees collected by the District Clerk for the filing of a suit. The fees are dedicated by law to be expended only for the preservation and restoration of the District Clerk's record archive.

County Clerk Records Archive – The County Clerk Records Archive Fund accounts for fees collected by the County Clerk for the filing of public documents. The fees are dedicated by law to be expended only for the preservation and restoration of the County Clerk's record archive.

County/District Clerk Technology – The County/District Clerk Technology Fund accounts for fees collected from all defendants convicted in the County or District 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.

Courthouse Records Management – The Courthouse 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.

Expo Building – The Expo Building Fund accounts for the rental income and deposits received in the use of the Expo Building by the residents of Castro County. The Commissioner's Court has committed these funds to be used to supplement the costs of maintaining the Expo Building.

Crime Line – The Crime Line Fund accounts for donations received from the residents of Castro County. The funds are restricted by the donors for the maintenance and upkeep of the tip based hotline maintained by the Sheriff's Department.

Pretrial Diversion – The Pretrial Diversion Fund accounts for fees charged to any defendant willing to participate in a pretrial intervention program. The fees are dedicated by law to be used to administer and maintain the pretrial diversion programs.

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.

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

Special Revenue

	Castro/Swisher Juvenile Probation Department	Centennial Plaza	Hazel Merritt Bequest	Rhoads Memorial Library Donations & Memorials
ASSETS				
Cash and cash equivalents	\$ 57,111	\$ 10,416	\$ 39,596	\$ 7,513
Due from other governmental entities	-	-	-	-
Prepaid expenses	145	-	-	-
Total assets	\$ 57,256	\$ 10,416	\$ 39,596	\$ 7,513
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	3,600	-	-	-
Due to other governments	-	-	-	-
Accrued payroll and benefits	8,698	-	-	-
Total liabilities	12,298	-	-	-
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	145	-	-	-
Restricted:				
By enabling legislation for special projects	-	-	-	-
Special projects	44,813	10,416	39,596	7,513
Committed:				
Special projects	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	44,958	10,416	39,596	7,513
Total liabilities and fund balances	\$ 57,256	\$ 10,416	\$ 39,596	\$ 7,513

Special Revenue

<u>Rhoads Memorial Library</u>	<u>Chapter 19 - Voter Registration</u>	<u>County Judge Excess Salary Supplement</u>	<u>Sheriff's Petty Cash</u>	<u>Sheriff's Special Account</u>	<u>Unclaimed Property</u>
\$ -	\$ 90	\$ 975	\$ 2,736	\$ 1,985	\$ 30,554
-	-	-	-	-	-
44	-	-	-	-	-
<u>\$ 44</u>	<u>\$ 90</u>	<u>\$ 975</u>	<u>\$ 2,736</u>	<u>\$ 1,985</u>	<u>\$ 30,554</u>
\$ 719	\$ -	\$ -	\$ -	\$ -	\$ -
13,148	-	-	-	-	-
81	-	-	-	-	-
4,170	-	-	-	-	-
<u>18,118</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
44	-	-	-	-	-
-	90	975	-	-	30,554
-	-	-	-	1,985	-
-	-	-	2,736	-	-
<u>(18,118)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(18,074)</u>	<u>90</u>	<u>975</u>	<u>2,736</u>	<u>1,985</u>	<u>30,554</u>
<u>\$ 44</u>	<u>\$ 90</u>	<u>\$ 975</u>	<u>\$ 2,736</u>	<u>\$ 1,985</u>	<u>\$ 30,554</u>

Continued

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

Continuation

Special Revenue

	<u>Check & Sight</u>	<u>Courthouse Security</u>	<u>County Clerk Records Management</u>	<u>County Law Library</u>
ASSETS				
Cash and cash equivalents	\$ 8,697	\$ 26,904	\$ 26,258	\$ 7,082
Due from other governmental entities	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	<u>\$ 8,697</u>	<u>\$ 26,904</u>	<u>\$ 26,258</u>	<u>\$ 7,082</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 280
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Accrued payroll and benefits	-	-	118	-
Total liabilities	<u>-</u>	<u>-</u>	<u>118</u>	<u>280</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	-	-	-	-
Restricted:				
By enabling legislation for special projects	8,697	26,904	26,140	6,802
Special projects	-	-	-	-
Committed:				
Special projects	-	-	-	-
Unassigned (deficit)	-	-	-	-
Total fund balances	<u>8,697</u>	<u>26,904</u>	<u>26,140</u>	<u>6,802</u>
Total liabilities and fund balances	<u>\$ 8,697</u>	<u>\$ 26,904</u>	<u>\$ 26,258</u>	<u>\$ 7,082</u>

Special Revenue

Constable Law Enforcement Education	Sheriff's Forfeited Funds	County/District Attorney Forfeited Funds	Sheriff Law Enforcement Education	Justice Court Technology	District Clerk Records Archive
\$ 2,294	\$ 68	\$ 4,573	\$ 95	\$ 30,748	\$ 5,398
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,294</u>	<u>\$ 68</u>	<u>\$ 4,573</u>	<u>\$ 95</u>	<u>\$ 30,748</u>	<u>\$ 5,398</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
2,294	68	4,573	95	30,748	5,398
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,294</u>	<u>68</u>	<u>4,573</u>	<u>95</u>	<u>30,748</u>	<u>5,398</u>
<u>\$ 2,294</u>	<u>\$ 68</u>	<u>\$ 4,573</u>	<u>\$ 95</u>	<u>\$ 30,748</u>	<u>\$ 5,398</u>

Continued

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

Continuation

Special Revenue

	County Clerk Records Archive	County/District Clerk Technology	Courthouse Records Management	Expo Building
ASSETS				
Cash and cash equivalents	\$ 12,319	\$ 3,314	\$ 11,029	\$ 3,907
Due from other governmental entities	-	-	-	-
Prepaid expenses	-	-	-	-
Total assets	\$ 12,319	\$ 3,314	\$ 11,029	\$ 3,907
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 78	\$ 600
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Accrued payroll and benefits	-	-	-	-
Total liabilities	-	-	78	600
FUND BALANCES				
Nonspendable:				
Prepaid expenditures	-	-	-	-
Restricted:				
By enabling legislation for special projects	12,319	3,314	10,951	-
Special projects	-	-	-	-
Committed:				
Special projects	-	-	-	3,307
Unassigned (deficit)	-	-	-	-
Total fund balances	12,319	3,314	10,951	3,307
Total liabilities and fund balances	\$ 12,319	\$ 3,314	\$ 11,029	\$ 3,907

Special Revenue

Crime Line	Pretrial Diversion	Total	Debt Service	Total Non- Major Governmental Funds
\$ 20,977	\$ 14,929	\$ 329,568	\$ 5,268	\$ 334,836
-	2,650	2,650	-	2,650
-	-	189	-	189
<u>\$ 20,977</u>	<u>\$ 17,579</u>	<u>\$ 332,407</u>	<u>\$ 5,268</u>	<u>\$ 337,675</u>
\$ -	\$ -	\$ 1,677	\$ -	\$ 1,677
-	-	16,748	-	16,748
-	-	81	-	81
-	-	12,986	-	12,986
<u>-</u>	<u>-</u>	<u>31,492</u>	<u>-</u>	<u>31,492</u>
-	-	189	-	189
-	17,579	187,501	-	187,501
20,977	-	125,300	-	125,300
-	-	6,043	-	6,043
-	-	(18,118)	-	(18,118)
<u>20,977</u>	<u>17,579</u>	<u>300,915</u>	<u>5,268</u>	<u>306,183</u>
<u>\$ 20,977</u>	<u>\$ 17,579</u>	<u>\$ 332,407</u>	<u>\$ 5,268</u>	<u>\$ 337,675</u>

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

	Special Revenue			
	Castro/Swisher Juvenile Probation Department	Centennial Plaza	Hazel Merritt Bequest	Rhoads Memorial Library Donations & Memorials
REVENUES				
Licenses and fees	\$ 1,215	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Intergovernmental	246,170	-	-	761
Interest	3,241	239	910	164
Miscellaneous	-	-	-	-
Total revenues	<u>250,626</u>	<u>239</u>	<u>910</u>	<u>925</u>
EXPENDITURES				
Current:				
Administrative	-	-	-	-
Judicial	-	-	-	-
Public facilities	-	-	-	16
Public safety	-	-	-	-
Public services	317,969	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	-	-	-	-
Total expenditures	<u>317,969</u>	<u>-</u>	<u>-</u>	<u>16</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(67,343)</u>	<u>239</u>	<u>910</u>	<u>909</u>
OTHER FINANCING SOURCES				
Transfers in	<u>68,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>68,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	657	239	910	909
FUND BALANCES - BEGINNING	<u>44,301</u>	<u>10,177</u>	<u>38,686</u>	<u>6,604</u>
FUND BALANCES - ENDING	<u><u>\$ 44,958</u></u>	<u><u>\$ 10,416</u></u>	<u><u>\$ 39,596</u></u>	<u><u>\$ 7,513</u></u>

Special Revenue

Rhoads Memorial Library	Chapter 19 - Voter Registration	County Judge Excess Salary Supplement	Sheriff's Petty Cash	Sheriff's Special Account	Unclaimed Property
\$ 4,884	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
45,500	-	-	-	-	-
377	-	-	59	23	-
-	-	293	6,760	2,438	13,151
<u>50,761</u>	<u>-</u>	<u>293</u>	<u>6,819</u>	<u>2,461</u>	<u>13,151</u>
-	-	-	-	-	-
-	-	-	-	-	-
114,551	-	-	-	-	-
-	-	-	6,783	2,145	2,500
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,298	-	-	-	-	-
<u>121,849</u>	<u>-</u>	<u>-</u>	<u>6,783</u>	<u>2,145</u>	<u>2,500</u>
<u>(71,088)</u>	<u>-</u>	<u>293</u>	<u>36</u>	<u>316</u>	<u>10,651</u>
<u>45,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>45,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(25,588)	-	293	36	316	10,651
<u>7,514</u>	<u>90</u>	<u>682</u>	<u>2,700</u>	<u>1,669</u>	<u>19,903</u>
<u>\$ (18,074)</u>	<u>\$ 90</u>	<u>\$ 975</u>	<u>\$ 2,736</u>	<u>\$ 1,985</u>	<u>\$ 30,554</u>

Continued

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

Continuation

Special Revenue

	<u>Check & Sight</u>	<u>Courthouse Security</u>	<u>County Clerk Records Management</u>	<u>County Law Library</u>
REVENUES				
Licenses and fees	\$ 207	\$ 5,269	\$ 12,174	\$ 2,940
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Interest	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>207</u>	<u>5,269</u>	<u>12,174</u>	<u>2,940</u>
EXPENDITURES				
Current:				
Administrative	-	-	18,631	-
Judicial	1,779	-	-	3,360
Public facilities	-	9,617	-	-
Public safety	-	-	-	-
Public services	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	-	2,913	-	-
Total expenditures	<u>1,779</u>	<u>12,530</u>	<u>18,631</u>	<u>3,360</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,572)</u>	<u>(7,261)</u>	<u>(6,457)</u>	<u>(420)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	13,000	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>13,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(1,572)	(7,261)	6,543	(420)
FUND BALANCES - BEGINNING	<u>10,269</u>	<u>34,165</u>	<u>19,597</u>	<u>7,222</u>
FUND BALANCES - ENDING	<u><u>\$ 8,697</u></u>	<u><u>\$ 26,904</u></u>	<u><u>\$ 26,140</u></u>	<u><u>\$ 6,802</u></u>

Special Revenue

Constable Law Enforcement Education	Sheriff's Forfeited Funds	County/District Attorney Forfeited Funds	Sheriff Law Enforcement Education	Justice Court Technology	District Clerk Records Archive
\$ 681	\$ -	\$ -	\$ 1,767	\$ 3,274	\$ 900
-	-	1,880	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>681</u>	<u>-</u>	<u>1,880</u>	<u>1,767</u>	<u>3,274</u>	<u>900</u>
-	-	-	-	-	-
-	-	3,702	-	6,316	-
-	-	-	-	-	-
1,036	-	-	1,847	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,036</u>	<u>-</u>	<u>3,702</u>	<u>1,847</u>	<u>6,316</u>	<u>-</u>
<u>(355)</u>	<u>-</u>	<u>(1,822)</u>	<u>(80)</u>	<u>(3,042)</u>	<u>900</u>
-	-	-	-	-	-
-	-	-	-	-	-
(355)	-	(1,822)	(80)	(3,042)	900
<u>2,649</u>	<u>68</u>	<u>6,395</u>	<u>175</u>	<u>33,790</u>	<u>4,498</u>
<u>\$ 2,294</u>	<u>\$ 68</u>	<u>\$ 4,573</u>	<u>\$ 95</u>	<u>\$ 30,748</u>	<u>\$ 5,398</u>

Continued

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

Continuation

Special Revenue

	County Clerk Records Archive	County/District Clerk Technology	Courthouse Records Management	Expo Building
REVENUES				
Licenses and fees	\$ 11,290	\$ 1,310	\$ 2,764	\$ 7,800
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Interest	-	-	-	97
Miscellaneous	-	-	-	-
Total revenues	<u>11,290</u>	<u>1,310</u>	<u>2,764</u>	<u>7,897</u>
EXPENDITURES				
Current:				
Administrative	56,775	9,534	1,054	-
Judicial	-	-	-	-
Public facilities	-	-	-	7,500
Public safety	-	-	-	-
Public services	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital Outlay	-	-	-	-
Total expenditures	<u>56,775</u>	<u>9,534</u>	<u>1,054</u>	<u>7,500</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(45,485)</u>	<u>(8,224)</u>	<u>1,710</u>	<u>397</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(45,485)	(8,224)	1,710	397
FUND BALANCES - BEGINNING	<u>57,804</u>	<u>11,538</u>	<u>9,241</u>	<u>2,910</u>
FUND BALANCES - ENDING	<u>\$ 12,319</u>	<u>\$ 3,314</u>	<u>\$ 10,951</u>	<u>\$ 3,307</u>

Special Revenue

Crime Line	Pretrial Diversion	Total	Debt Service	Total Non- Major Governmental Funds
\$ 3,315	\$ 4,480	\$ 64,270	\$ -	\$ 64,270
-	-	1,880	-	1,880
-	-	292,431	-	292,431
459	381	5,950	722	6,672
-	-	22,642	-	22,642
<u>3,774</u>	<u>4,861</u>	<u>387,173</u>	<u>722</u>	<u>387,895</u>
-	-	85,994	350	86,344
-	-	15,157	-	15,157
-	-	131,684	-	131,684
815	-	15,126	-	15,126
-	-	317,969	-	317,969
-	-	-	-	-
-	-	-	600,000	600,000
-	-	-	169,850	169,850
-	-	10,211	-	10,211
<u>815</u>	<u>-</u>	<u>576,141</u>	<u>770,200</u>	<u>1,346,341</u>
<u>2,959</u>	<u>4,861</u>	<u>(188,968)</u>	<u>(769,478)</u>	<u>(958,446)</u>
-	-	126,500	769,850	896,350
-	-	126,500	769,850	896,350
2,959	4,861	(62,468)	372	(62,096)
<u>18,018</u>	<u>12,718</u>	<u>363,383</u>	<u>4,896</u>	<u>368,279</u>
<u>\$ 20,977</u>	<u>\$ 17,579</u>	<u>\$ 300,915</u>	<u>\$ 5,268</u>	<u>\$ 306,183</u>

**CASTRO COUNTY, TEXAS
COMBINING BALANCE SHEET
ROAD AND BRIDGE GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019**

	Precinct #1 Road and Bridge Fund	Precinct #2 Road and Bridge Fund	Precinct #3 Road and Bridge Fund	Precinct #4 Road and Bridge Fund	Total Road and Bridge Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 115,166	\$ 101,291	\$ 243,301	\$ 513	\$ 460,271
Investments	9,804	9,104	114,666	8,014	141,588
Taxes receivable, net	2,238	2,153	2,026	2,026	8,443
Due from other governmental entities	673	647	635	635	2,590
Prepaid expenses	3,972	4,179	4,007	3,867	16,025
	<u>3,972</u>	<u>4,179</u>	<u>4,007</u>	<u>3,867</u>	<u>16,025</u>
Total assets	<u>\$ 131,853</u>	<u>\$ 117,374</u>	<u>\$ 364,635</u>	<u>\$ 15,055</u>	<u>\$ 628,917</u>
LIABILITIES					
Accounts payable	\$ 418	\$ 10,074	\$ 5,771	\$ 1,918	\$ 18,181
Due to other funds	-	-	-	1,984	1,984
Due to other governments	-	-	-	80	80
Accrued payroll and benefits	14,494	14,286	14,319	12,596	55,695
	<u>14,494</u>	<u>14,286</u>	<u>14,319</u>	<u>12,596</u>	<u>55,695</u>
Total liabilities	<u>14,912</u>	<u>24,360</u>	<u>20,090</u>	<u>16,578</u>	<u>75,940</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	1,452	1,398	1,315	1,315	5,480
	<u>1,452</u>	<u>1,398</u>	<u>1,315</u>	<u>1,315</u>	<u>5,480</u>
Total deferred inflows of resources	<u>1,452</u>	<u>1,398</u>	<u>1,315</u>	<u>1,315</u>	<u>5,480</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	3,972	4,179	4,007	3,867	16,025
Committed:					
Special projects	111,517	87,437	339,223	-	538,177
Unassigned (deficit)	-	-	-	(6,705)	(6,705)
	<u>111,517</u>	<u>87,437</u>	<u>339,223</u>	<u>(6,705)</u>	<u>538,177</u>
Total fund balances	<u>115,489</u>	<u>91,616</u>	<u>343,230</u>	<u>(2,838)</u>	<u>547,497</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 131,853</u>	<u>\$ 117,374</u>	<u>\$ 364,635</u>	<u>\$ 15,055</u>	<u>\$ 628,917</u>

CASTRO COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ROAD AND BRIDGE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Precinct #1	Precinct #2	Precinct #3	Precinct #4	Total Road and
	Road and	Road and	Road and	Road and	Bridge
	Bridge Fund	Bridge Fund	Bridge Fund	Bridge Fund	Governmental
					Funds
REVENUES					
Property taxes	\$ 145,807	\$ 140,197	\$ 137,395	\$ 137,395	\$ 560,794
Licenses and fees	141,294	131,774	126,199	117,494	516,761
Intergovernmental	6,331	6,331	6,331	6,331	25,324
Interest	7,122	6,580	10,559	2,965	27,226
Miscellaneous	3,256	1,734	1,700	5,199	11,889
	<u>303,810</u>	<u>286,616</u>	<u>282,184</u>	<u>269,384</u>	<u>1,141,994</u>
Total revenues					
EXPENDITURES					
Current:					
Road and bridge	291,326	303,546	253,803	300,278	1,148,953
Debt Service					
Principal	100,000	-	-	23,964	123,964
Interest and other charges	-	-	-	517	517
Capital Outlay	231,413	578,912	11,975	207,631	1,029,931
	<u>622,739</u>	<u>882,458</u>	<u>265,778</u>	<u>532,390</u>	<u>2,303,365</u>
Total expenditures					
EXCESS OF REVENUES					
OVER (UNDER) EXPENDITURES	<u>(318,929)</u>	<u>(595,842)</u>	<u>16,406</u>	<u>(263,006)</u>	<u>(1,161,371)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from capital leases	177,000	485,000	-	172,250	834,250
Proceeds from sale of assets	3,000	-	-	-	3,000
	<u>180,000</u>	<u>485,000</u>	<u>-</u>	<u>172,250</u>	<u>837,250</u>
Total other financing sources (uses)					
NET CHANGE IN FUND BALANCES	(138,929)	(110,842)	16,406	(90,756)	(324,121)
FUND BALANCES - BEGINNING	<u>254,418</u>	<u>202,458</u>	<u>326,824</u>	<u>87,918</u>	<u>871,618</u>
FUND BALANCES - ENDING	<u>\$ 115,489</u>	<u>\$ 91,616</u>	<u>\$ 343,230</u>	<u>\$ (2,838)</u>	<u>\$ 547,497</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 Attorney – The County Attorney Fund accounts for the partial payments of restitution and fees associated with the collection of hot checks within the County limits.

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

Tax Assessor Collector – The Tax Assessor Collector’s Fund accounts for money collected by the Tax Assessor Collector and remitted to The State of Texas.

CASTRO COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
SEPTEMBER 30, 2019

	<u>County Attorney</u>	<u>County/District Clerk</u>	<u>Tax Assessor Collector</u>	<u>Total</u>
ASSETS				
Cash	\$ 516	\$ 160,536	\$ 61,673	\$ 222,725
Total assets	<u>\$ 516</u>	<u>\$ 160,536</u>	<u>\$ 61,673</u>	<u>\$ 222,725</u>
LIABILITIES				
Accounts payable	\$ 516	\$ -	\$ -	\$ 516
Due to other governments	-	-	61,673	61,673
Deposits	<u>-</u>	<u>160,536</u>	<u>-</u>	<u>160,536</u>
Total liabilities	<u>\$ 516</u>	<u>\$ 160,536</u>	<u>\$ 61,673</u>	<u>\$ 222,725</u>

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PART III
COMPLIANCE



To The Honorable County Judge and
Commissioners Comprising the
Commissioners' Court of
Castro 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 Castro County, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Castro County, Texas' basic financial statements, and have issued our report thereon dated February 20, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Castro 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 Castro County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Castro 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 Castro 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

February 20, 2020