

CALDWELL COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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

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Financial Section

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RUTLEDGE CRAIN & COMPANY,PC
CERTIFIED PUBLIC ACCOUNTANTS
2401 Garden Park Court, Suite B
Arlington, Texas 76013

INDEPENDENT AUDITORS' REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension disclosures, on pages 5-11, 44-45, and 46-47, respectively, 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 Caldwell County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Autledge Crain & Company, PC

April 8, 2019

Management's Discussion and Analysis

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CALDWELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

As management of Caldwell County, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2018. We encourage readers to consider the information presented herein along with the County's financial statements, which follow this section.

Financial Highlights

The net position of the County increased by \$3,450,919 for fiscal year ended September 30, 2018. The assets and deferred resources outflows of the County exceeded its liabilities and deferred resources inflows at the close of the fiscal year ended September 30, 2018 by \$30,341,539 (net position). Of this amount, \$16,692,071 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The County's governmental funds reported combined ending fund balances of \$19,129,657, an increase of \$8,990,300 in comparison to the previous year, due to the timing of revenues received versus work performed with the SH130 project, and a bond issue of \$5,955,000. In addition, increased revenues in the general fund, primarily from taxes, in association with decreases in general fund expenditures, primarily from lapses in staffing and the resulting savings in personnel costs, also contributed to the positive change in fund balance.

The unassigned portion of the General Fund, fund balance at the end of the year was \$10,427,625, or 67.80% of total General Fund expenditures for fiscal year 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) fiduciary financial statements, and 4) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of Caldwell County's finances. This is done in a manner similar to a private-sector business. Two statements, the Statement of Net Position and the Statement of Activities, are utilized to provide this financial overview.

The Statement of Net Position presents information on all of the 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 the 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 and earned but unused vacation leave).

In addition, the statement of activities highlights government activities supported by taxes and intergovernmental revenues, along with program revenues classified to the corresponding government activity.

Fund Financial Statements. The County, like other state and local governments, utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

CALDWELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

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

The County maintains 15 individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Grant Fund and Unit Road Fund, which are considered to be major funds. Data from the other 12 funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Fiduciary Funds. Fiduciary funds account for assets held by the County in a trustee capacity or as an agent on behalf of others.

Notes to Financial Statements. The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide, fund financial statements and fiduciary fund statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information following the notes to the financial statements. The other supplementary information includes combining and individual statements and schedules.

Government-wide Financial Analysis

At the end of fiscal year 2018, the County's net position (assets exceeding liabilities) totaled \$30,341,539. This analysis focuses on the net position (Table 1) and changes in net position (Table 2). This is an increase of \$3,450,919 in net position for fiscal year 2018.

Net Position. The largest portion of the County's net position, \$12,541,448 or 41.33%, reflects its investment in capital assets (land, buildings, infrastructure, machinery and equipment, construction in progress), less accumulated depreciation and any related debt used to acquire those assets that is still outstanding. The County uses these assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County reports its capital assets net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net position of \$1,108,020 or 3.65%, in the debt service fund, are restricted for future debt service payments.

The remaining balance of unrestricted net assets, \$16,692,071 or 55.02%, may be used to meet the government's ongoing obligations to citizens and creditors.

CALDWELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Table 1
Condensed Statement of Net Position

	<u>9/30/2018</u>	<u>9/30/2017</u>
ASSETS		
Current and other assets	\$ 30,089,712	\$ 20,589,813
Capital assets	24,235,251	24,365,814
Net pension assets	702,410	5,065
Total assets	<u>55,027,373</u>	<u>44,960,692</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	68,391	78,524
Deferred pension expense	1,095,353	1,360,376
	<u>1,163,744</u>	<u>1,438,900</u>
LIABILITIES		
Long-term liabilities	17,986,945	12,783,788
Other liabilities	6,817,233	6,195,233
Total liabilities	<u>24,804,178</u>	<u>18,979,021</u>
DEFERRED INFLOWS OF RESOURCES		
Unearned revenue	11,155	282,417
Deferred pension inflows	1,034,245	247,534
	<u>1,045,400</u>	<u>529,951</u>
NET POSITION		
Net Investment in capital assets	12,541,448	12,611,185
Restricted	1,108,020	1,164,953
Unrestricted	16,692,071	13,114,482
	<u>\$ 30,341,539</u>	<u>\$ 26,890,620</u>

Changes in Net Position. The net position of the County increased by \$3,450,919 for the fiscal year ended September 30, 2018. Table 2 itemizes the changes from fiscal year 2017 to fiscal year 2018. Increases in revenues over the prior fiscal year primarily resulted from county services, capital grants, and taxes. The overall decrease in expenditures from the prior fiscal year is primarily tied to lapses in staffing, and the related personnel costs, throughout fiscal year 2018.

CALDWELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Table 2
Changes in Net Position

	<u>9/30/2018</u>	<u>9/30/2017</u>
Program Revenues:		
Charges for services	\$ 4,158,517	\$ 5,177,191
Operating grants and contributions	306,597	481,399
Capital grant and contributions	962,605	5,932,592
General Revenues		
Taxes	18,742,113	15,475,662
Unrestricted investment earnings	254,132	102,539
Miscellaneous	135,245	104,776
Gain (loss) on sale of capital assets	44,339	63,012
Special item inflow	-	577,093
Total Revenues	<u>24,603,548</u>	<u>27,914,264</u>
Expenses:		
General Administration	3,414,732	3,728,873
Judicial	2,243,260	2,229,987
Legal	965,159	915,739
Financial Administration	1,353,204	1,219,377
Public Facilities	556,193	609,908
Public Safety	7,478,049	7,484,768
Public Transportation	3,763,636	9,076,723
Environmental Protection	70,618	67,384
Health and Welfare	686,841	646,784
Conservation and agriculture	108,510	101,709
Interest on long-term debt	512,427	418,265
Total Expenses	<u>21,152,629</u>	<u>26,499,517</u>
Increase/Decrease in net position	3,450,919	1,414,747
Net position-October 1	<u>26,890,620</u>	<u>25,475,873</u>
Net position-September 30	<u>\$ 30,341,539</u>	<u>\$ 26,890,620</u>

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$19,129,657.

CALDWELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

The General Fund is the main operating fund of the County. At the end of the current fiscal year, fund balance was \$10,661,374. This is an increase of \$2,646,284 from last year.

General Fund Budgetary Highlights. Each year the County performs periodic reviews of the budget. Budget amendments are approved throughout the year transferring amounts from one line item to another budgeted item.

Discussion of revenue variances follows:

Tax revenues include an increase of \$120,982 above budget projections that are mainly attributed to an increase in in sales tax collections by 6.7% in comparison to the estimated revenue.

License and permit fees collected were \$159,934 less than budgeted due to a decline in motor vehicle registrations; however, a large portion of that decline was absorbed by a substantial increase in collections of boat registration fees, subdivision fees and sanitation permits.

Intergovernmental revenues resulted in a \$74,661 increase in comparison to this overall categorical budget due to the intergovernmental jail revenue, commissary reimbursement, and other Grant revenues defined.

Fees of office revenue have exceeded the estimated revenue by \$157,617. This is attributed to the increased collections on the behalf of the County Clerk fees, Court Reporter Fees, Tax Assessor Fees, JP#1 fees, JP#2 fees, JP#3 fees, Pre Trial Bond Fees, DPS Fees, Constable-PCT. 2, & 4 Fees, Traffic Fees, Inmate Telephone Fees, and Birth Record Fees.

Fines came in higher than the overall budget by \$174,435 due to the collections within the Justice of the Peace offices and Bond Forfeitures all being major revenue contributors.

Miscellaneous revenue was \$91,065 less than the amended budgeted. Income consists primarily of miscellaneous items, reimbursed items, rental revenues and insurance proceeds; these items are difficult to budget.

Overall, the estimated revenues of \$20,389,453 were amended totaling \$20,613,774, \$224,321 or 1.1% more than the original budget. The actual revenues at the end of the fiscal year totaled \$494,510 or 2.40% higher than the amended budgeted.

Discussion on expenditures follows:

The General Administration consists of increasing total appropriation with budget adjustment(s) totaling \$10,410 and the actual expenditures \$410,252 below budget.

Judicial budget contains budget amendment(s) decreasing the budget totaling \$2,017 and the actual expenditures were below final budget by \$184,324 as a result of lower costs in the county and district courts.

Legal managed actual expenditures of \$39,870 below the final appropriation.

The Financial Administration budget was not amended and the actual expenditures of \$56,103 came in below the final budget.

The Public Facilities budget amendment(s) resulted in an overall increase of \$5,639 and the actual expenditures came in below the \$135,920 less in expenditures than budgeted.

Public Safety's budget was increased with budget amendment(s) totaling \$54,624, but ending with a positive variance of coming below actual versus budget by \$692,085 due to turnover in staff and other related issues.

CALDWELL COUNTY, TEXAS
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 September 30, 2018

Environmental protection actual costs were below budget by \$15,936.

The Health and Welfare budget did not require any budget adjustments and the overall expenditures remained below budget by \$123,560.

Conservation-Agriculture came in \$2,460 under budget due to the failure to maintain full staffing reducing personnel and related costs.

Overall, the original budget was \$16,972,797 and was amended to \$17,041,453, increasing it by \$68,656 or .40 % of appropriations. The actual expenditures at the end of the fiscal year totaled \$15,380,943, \$1,660,510 or 9.74% less than the amended budget.

Grant Fund Budgetary Highlights.

Caldwell County did not meet the criteria and/or meet the threshold to have a single audit.

Unit Road Fund Budgetary Highlights.

Unit Road actual revenues were \$996,009. Transfer In of \$2,794,869 is necessary to supplement Unit Road's resources, making up the majority of the financing source of the fund. The Transfer In was to match the revenue with the actual expenditures which were performed in the Unit Road fund. The actual expenditures included \$3,406,597.

Capital Assets and Debt Administration

Capital Assets. The County's investment in capital assets as of September 30, 2018, amounts to \$24,365,251 (net of accumulated depreciation). The investment in capital assets includes land, buildings, machinery and equipment, and infrastructure.

Table 3
Capital Assets at Year End
Net of Accumulated Depreciation

	9/30/2018	9/30/2017
Land	\$ 553,432	\$ 553,432
Construction in progress	-	-
Buildings and improvements	20,980,486	21,566,854
Machinery and equipment	1,979,225	1,331,993
Infrastructure	722,108	913,535
	\$ 24,235,251	\$ 24,365,814

Additional information on the County's capital assets can be found in the notes to the financial statements at page 32.

CALDWELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Debt Administration. At the end of the current fiscal year, Caldwell County had total debt outstanding of \$17,542,225. Of this amount, \$4,325,000 is comprised of Certificates of Obligation, with principal due annually through 2029 with interest due semiannually. All debt is backed by the full faith and credit of Caldwell County.

Table 4
Outstanding Debt at Year End

<u>Type of Debt</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Certificates of obligation	\$ 3,950,000	\$ 4,325,000
Limited tax refunding bonds	7,505,000	7,945,000
Combined limited pledge certificates of obligation	5,955,000	-
Premium on bonds issued	<u>132,225</u>	<u>3,154</u>
Net General Obligation Bonds	17,542,225	12,273,154
Compensated Absences	444,720	449,433
Net Pension (Asset) Liability	<u>(702,410)</u>	<u>61,201</u>
Total	<u>\$ 17,284,535</u>	<u>\$ 12,783,788</u>

Additional information on the County’s long-term debt can be found in the notes to the financial statements beginning at page 33.

The County’s total outstanding debt increased overall by \$4,500,747, predominately due to issuing new debt that was needed to facilitate major needs in Caldwell County to assist in maintaining the roads and compliance on departmental issues.

Economic Factors and Next Year’s Budgets and Rates

With several major developments planned for the area Caldwell County is poised for a significant growth in the tax base over the next several years. Investments in infrastructure will be required as well as a cohesive strategy for managing this growth.

Some key factors to look for in future budgets:

With anticipated growth in the rural areas of Caldwell County there will be significant needs throughout the County.

A strategic plan aligned with performance measures on departmental budgets assisting in the accountability of overall performance and maintenance of budget versus actual revenues and/or expenditures within their budgets may be considered.

Capital Improvement Projects may be aligned with a strategic plan. (i.e. what major improvements are needed for Unit Road Department in Capital and/or road maintenance and improvement; fleet policy and/or funding mechanism needs put in place for a systematic retention and replacement of all county vehicles and equipment.)

Continued increase in health insurance due to rising health care costs of County employees.

CALDWELL COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Requests for Information

This financial report is designed to provide a general overview of Caldwell County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Auditor's Office, 110 S. Main St, Room 303, Lockhart, Texas, 78644.

Basic Financial Statements

CALDWELL COUNTY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2018

	Governmental Activities
ASSETS:	
<i>Cash and cash equivalents</i>	\$ 19,373,919
<i>Receivables (net of allowances for uncollectibles):</i>	
<i>Taxes</i>	1,643,441
<i>Fines</i>	7,324,244
<i>Accounts</i>	16,059
<i>Intergovernmental</i>	958,569
<i>Due from Fiduciary</i>	645,236
<i>Inventories</i>	112,429
<i>Prepaid items</i>	15,815
<i>Capital assets (net of accumulated depreciation):</i>	
<i>Land</i>	553,432
<i>Buildings and improvements</i>	20,980,486
<i>Machinery and equipment</i>	1,979,225
<i>Infrastructure</i>	722,108
<i>Net pension asset</i>	702,410
Total Assets	55,027,373
DEFERRED OUTFLOW OF RESOURCES	
<i>Deferred charge on refunding</i>	68,391
<i>Deferred pension expense</i>	1,095,353
Total Deferred Outflow of Resources	1,163,744
LIABILITIES:	
<i>Accounts payable</i>	962,502
<i>Accrued liabilities and other payables</i>	326,596
<i>Due to other governments</i>	4,283,939
<i>Due to others</i>	1,244,196
Noncurrent Liabilities-	
<i>Due within one year</i>	958,030
<i>Due in more than one year</i>	17,028,915
Total Liabilities	24,804,178
DEFERRED INFLOWS OF RESOURCES	
<i>Unearned revenue</i>	11,155
<i>Deferred pension inflow</i>	1,034,245
Total deferred inflow of resources	1,045,400
NET POSITION:	
<i>Net Investment in Capital Assets</i>	12,541,448
Restricted For:	
<i>Debt Service</i>	1,108,020
<i>Unrestricted</i>	16,692,071
Total Net Position	\$ 30,341,539

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
PRIMARY GOVERNMENT:					
Governmental Activities:					
<i>General administration</i>	\$ 3,414,732	\$ 455,360	\$ 55,577	\$ 12,030	\$ (2,891,765)
<i>Judicial</i>	2,243,260	1,544,472	136,866	--	(561,922)
<i>Legal</i>	965,159	47,159	--	48,010	(869,990)
<i>Financial administration</i>	1,353,204	492,132	--	--	(861,072)
<i>Public facilities</i>	556,193	--	--	--	(556,193)
<i>Public safety</i>	7,478,049	1,319,677	114,154	--	(6,044,218)
<i>Public transportation</i>	3,763,636	42,079	--	902,565	(2,818,992)
<i>Environmental protection</i>	70,618	257,638	--	--	187,020
<i>Health and welfare</i>	686,841	--	--	--	(686,841)
<i>Conservation - agriculture</i>	108,510	--	--	--	(108,510)
<i>Interest on long-term debt</i>	512,427	--	--	--	(512,427)
Total Governmental Activities	<u>21,152,629</u>	<u>4,158,517</u>	<u>306,597</u>	<u>962,605</u>	<u>(15,724,910)</u>
Total Primary Government	<u>\$ 21,152,629</u>	<u>\$ 4,158,517</u>	<u>\$ 306,597</u>	<u>\$ 962,605</u>	<u>(15,724,910)</u>
General Revenues:					
<i>Ad valorem taxes</i>					16,536,151
<i>Sales taxes</i>					1,825,049
<i>Automobile taxes</i>					364,325
<i>Alcoholic beverage taxes</i>					16,588
<i>Miscellaneous</i>					135,245
<i>Unrestricted investment earnings</i>					254,132
<i>Gain (loss) on disposal of capital assets</i>					44,339
<i>Transfers</i>					--
Total General Revenues and Transfers					<u>19,175,829</u>
Change in Net Position					<u>3,450,919</u>
Net Position - Beginning					<u>26,890,620</u>
Net Position - Ending					<u>\$ 30,341,539</u>

The accompanying notes are an integral part of this statement.

CALDWELL COUNTY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

	General Fund	Building Construction
ASSETS		
Assets:		
<i>Cash and cash equivalents</i>	\$ 11,420,666	\$ 6,279,860
<i>Receivables (net of allowances for uncollectibles):</i>		
Taxes	1,482,315	--
Fines	7,324,244	--
Accounts	16,059	--
Intergovernmental	527,915	--
<i>Due from other funds</i>	--	--
<i>Due from agency funds</i>	--	--
<i>Inventories</i>	1,434	--
<i>Prepaid items</i>	15,815	--
Total Assets	\$ 20,788,448	\$ 6,279,860
 LIABILITIES DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
<i>Accounts Payable</i>	\$ 286,908	\$ 499,829
<i>Accrued liabilities and other payables</i>	253,776	--
<i>Due to Other Funds</i>	--	--
<i>Due to other governments</i>	4,283,939	--
<i>Due to others</i>	1,244,196	--
Total Liabilities	6,068,819	499,829
 Deferred Inflows of Resources		
<i>Deferred tax revenue</i>	1,371,995	--
<i>Deferred fine revenue</i>	2,676,905	--
<i>Deferred grant revenue</i>	9,355	--
Total deferred inflows of resources	4,058,255	--
 Fund Balances:		
<i>Nonspendable</i>	17,249	--
<i>Restricted</i>	--	5,780,031
<i>Committed</i>	216,500	--
<i>Assigned</i>	--	--
<i>Unassigned</i>	10,427,625	--
Total Fund Balance	10,661,374	5,780,031
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 20,788,448	\$ 6,279,860

The accompanying notes are an integral part of this statement.

EXHIBIT A-3

Unit Road Fund	Other Governmental Funds	Total Governmental Funds
\$ 221,302	\$ 1,452,092	\$ 19,373,920
21	161,105	1,643,441
--	--	7,324,244
--	--	16,059
327,764	102,890	958,569
509,104	--	509,104
645,236	--	645,236
110,995	--	112,429
--	--	15,815
<u>\$ 1,814,422</u>	<u>\$ 1,716,087</u>	<u>\$ 30,598,817</u>
\$ 174,375	\$ 1,390	\$ 962,502
5,033	--	258,809
--	509,104	509,104
--	--	4,283,939
--	--	1,244,196
<u>179,408</u>	<u>510,494</u>	<u>7,258,550</u>
4	150,551	1,522,550
--	--	2,676,905
--	1,800	11,155
<u>4</u>	<u>152,351</u>	<u>4,210,610</u>
110,995	--	128,244
--	1,396,932	7,176,963
--	64,809	281,309
1,524,015	--	1,524,015
--	(408,499)	10,019,126
<u>1,635,010</u>	<u>1,053,242</u>	<u>19,129,657</u>
<u>\$ 1,814,422</u>	<u>\$ 1,716,087</u>	<u>\$ 30,598,817</u>

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CALDWELL COUNTY, TEXAS

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

Total fund balances - governmental funds balance sheet	\$ 19,129,657
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	24,235,251
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,522,550
Payables for bond principal which are not due in the current period are not reported in the funds.	(17,542,225)
Payables for bond interest which are not due in the current period are not reported in the funds.	(67,787)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(444,720)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	68,391
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	2,676,904
Recognition of the County's net pension asset is not reported in the funds.	702,410
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,034,245)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>1,095,353</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 30,341,539</u>

The accompanying notes are an integral part of this statement.

CALDWELL COUNTY, TEXAS

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

	General Fund	Building Construction
Revenue:		
<i>Taxes</i>	\$ 16,903,493	\$ --
<i>Licenses and permits</i>	596,066	--
<i>Intergovernmental</i>	1,347,255	--
<i>Fees of office</i>	992,867	--
<i>Fines</i>	931,435	--
<i>Miscellaneous</i>	109,354	9,462
<i>Investment earnings</i>	227,814	--
Total revenues	<u>21,108,284</u>	<u>9,462</u>
Expenditures:		
Current:		
<i>General administration</i>	2,465,447	499,829
<i>Judicial</i>	1,815,669	--
<i>Legal</i>	925,328	--
<i>Financial administration</i>	1,328,677	--
<i>Public facilities</i>	540,975	--
<i>Public safety</i>	7,449,362	--
<i>Public transportation</i>	--	--
<i>Environmental protection</i>	64,889	--
<i>Health and welfare</i>	684,721	--
<i>Conservation - agriculture</i>	105,875	--
Debt Service:		
<i>Principal</i>	--	--
<i>Interest and fiscal charges</i>	--	--
<i>Bond issuance costs</i>	--	85,847
Total Expenditures	<u>15,380,943</u>	<u>585,676</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,727,341</u>	<u>(576,214)</u>
Other Financing Sources (Uses):		
<i>Transfers in</i>	24,441	--
<i>Transfers out</i>	(3,240,235)	--
<i>Proceeds of bond issue</i>	--	5,955,000
<i>Premiums on bonds sold</i>	--	132,605
<i>Insurance proceeds</i>	90,397	--
<i>Sale of capital assets</i>	44,340	--
Total Other Financing Sources (Uses)	<u>(3,081,057)</u>	<u>6,087,605</u>
Net Change in Fund Balances	2,646,284	5,511,391
Fund Balances - Beginning	8,015,090	268,640
Fund Balances - Ending	<u>\$ 10,661,374</u>	<u>\$ 5,780,031</u>

The accompanying notes are an integral part of this statement.

EXHIBIT A-5

Unit Road Fund	Other Governmental Funds	Total Governmental Funds
\$ 366,830	\$ 1,416,605	\$ 18,686,928
42,079	--	638,145
565,193	457,108	2,369,556
--	271,107	1,263,974
--	18,125	949,560
21,907	6,649	147,372
--	16,336	244,150
<u>996,009</u>	<u>2,185,930</u>	<u>24,299,685</u>
--	662,840	3,628,116
--	122,887	1,938,556
--	19,140	944,468
--	--	1,328,677
--	--	540,975
--	15,940	7,465,302
3,406,597	118,052	3,524,649
--	--	64,889
--	--	684,721
--	--	105,875
--	816,830	816,830
--	402,822	402,822
--	--	85,847
<u>3,406,597</u>	<u>2,158,511</u>	<u>21,531,727</u>
<u>(2,410,588)</u>	<u>27,419</u>	<u>2,767,958</u>
2,794,869	445,366	3,264,676
--	(24,441)	(3,264,676)
--	--	5,955,000
--	--	132,605
--	--	90,397
--	--	44,340
<u>2,794,869</u>	<u>420,925</u>	<u>6,222,342</u>
384,281	448,344	8,990,300
1,250,729	604,898	10,139,357
<u>\$ 1,635,010</u>	<u>\$ 1,053,242</u>	<u>\$ 19,129,657</u>

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CALDWELL COUNTY, TEXAS

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

Net change in fund balances - total governmental funds	\$ 8,990,300
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,154,730
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,285,293)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	38,593
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	815,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(15,198)
(Increase) decrease in accrued interest from beginning of period to end of period.	(6,730)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	4,713
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	130,532
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(5,955,000)
Bond premiums are reported in the funds but not in the SOA.	(132,605)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(288,122)
Change in net position of governmental activities - Statement of Activities	<u>\$ 3,450,919</u>

The accompanying notes are an integral part of this statement.

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

	Agency Funds
ASSETS:	
<i>Cash and cash equivalents</i>	\$ 2,730,704
<i>Other receivables</i>	3,051
<i>Intergovernmental</i>	304,605
Total Assets	\$ <u>3,038,360</u>
LIABILITIES:	
<i>Accounts payable</i>	\$ 82,690
<i>Due to governmental funds</i>	645,236
<i>Due to other governments</i>	131,749
<i>Due to others</i>	2,178,685
Total Liabilities	\$ <u>3,038,360</u>

The accompanying notes are an integral part of this statement.

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The County, a political subdivision of the State of Texas is governed by an elected judge and four county commissioners which comprise the commissioners' court. The county's operational activities include general administrative services, judicial, legal, financial administration, public facilities, public safety, public transportation, environmental protection, health and welfare assistance, conservation - agriculture services.

The accounting policies of Caldwell County, Texas, conform to generally accepted accounting principals issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the County's basic financial statements.

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the County (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the County's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the County.

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of position) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes, charges for services, and intergovernmental revenues.

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

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

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

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

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Fines and permits, and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The County reports the following major governmental funds:

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

The *Building Construction Fund* accounts for construction projects financed by the proceeds of a bond issue.

The *Grant Fund* accounts for certain major grants received from the federal and state governments and expenditures related to specific purposes of the grants.

The *Unit Road Fund* accounts for certain revenues and expenditures related to the construction and maintenance of roads and bridges within the County. Primary revenues of this fund are ad valorem taxes, licenses and permits, and transfers from the General Fund.

Additionally, the County reports the following fund types:

The Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including private purpose trusts or major capital projects).

The *Debt Service Fund* accounts for the accumulation of resources to be used for the payment of principal and interest.

The *Building Construction Capital Projects Fund* accounts for residual amounts from the proceeds of the 2010 Certificates of Obligation, the 2012 Short Term Tax Notes, and the 2013 Short Term Tax Notes issued to construct and remodel County buildings.

Agency Funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other agency funds.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

D. Assets, liabilities, and net assets 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.

State statutes authorize the County to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (5) certificates of deposit by state and national banks domiciled in this state that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (B) secured by obligations that are described by (1) - (4); or, (6) fully collateralized direct repurchase agreements having a defined termination date, secured by obligations described by (1), pledged with third party selected or approved by the County, and placed through a primary government securities dealer.

Investments maturing within one year of date of purchase are stated at cost or amortized cost, all other investments are stated at fair value which is based on quoted market prices.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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.

Fines receivables are shown net of an allowance for uncollectibles. The allowance for uncollectibles is an estimate based upon experience.

Property taxes are levied on October 1 by the County based on the January 1 property values as appraised by the County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the County has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the County.

3. Inventories and prepaid items

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

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

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Building improvements	20 years
Infrastructure	30 years
Machinery and Equipment	5 - 10 years

5. Compensated absences

Employees accumulate earned but unused vacation and compensatory time. All vacation and compensatory pay is accrued when incurred in the government-wide funds. A liability is reported for these amounts in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as bond insurance costs, are deferred and amortized over the life of the bonds using the straight line method which approximate the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance and insurance 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. Insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund equity

Nonspendable Fund Balance Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by the Commissioner's Court through legislation, resolution or Court order, unless the Commissioner's Court removes or changes the specified use by taking the same type of action used to commit the amounts.

Assigned Fund Balance - Amounts that are constrained by the Commissioner's Court, or by another County official or the finance division to which the Court has delegated authority, that are to be used for specific purposes but are neither restricted nor committed.

Unassigned Fund Balance - Amounts that are available for any purpose; these amounts can be reported only in the County's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. When the County incurs an expenditure and both restricted and unrestricted amounts are available, the County considers restricted amounts to have been spent. When the County incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

	General	Building	Unit	Other	
	Fund	Construction	Road	Funds	Total
Fund Balances					
Nonspendable for:					
Inventory	\$ --	\$ --	\$110,995	\$ --	\$110,995
Prepaid items	17,249	--	--	--	17,249
	<u>17,249</u>	<u>--</u>	<u>110,995</u>	<u>--</u>	<u>128,244</u>
Restricted for:					
Debt service	--	--	--	957,469	957,469
Justice administration	--	--	--	60,587	60,587
Preservation	--	--	--	33,922	33,922
Construction	--	5,780,031	--	--	5,780,031
Other	--	--	--	344,954	344,954
	<u>--</u>	<u>5,780,031</u>	<u>--</u>	<u>1,396,932</u>	<u>7,176,963</u>
Committed to:					
Courthouse maintenance	148,500	--	--	--	148,500
Disaster reaction	68,000	--	--	--	68,000
Hot check	--	--	--	64,809	64,809
Other	--	--	--	--	--
	<u>216,500</u>	<u>--</u>	<u>--</u>	<u>64,809</u>	<u>281,309</u>
Assigned	--	--	1,524,015	--	1,524,015
Unassigned	10,427,625	--	--	(408,499)	10,019,126
	<u>\$10,661,374</u>	<u>\$5,780,031</u>	<u>\$1,635,010</u>	<u>\$1,053,242</u>	<u>\$19,129,657</u>

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Cash

At year end, the carrying amount of the County's cash on hand and deposits was \$4,561,442, including \$2,730,704 in agency funds. All of the bank balance of \$4,094,808, was covered by federal deposit insurance and collateralized by the pledging financial institution with marketable securities held by an agent in the bank's name. At year end the County's financial institution could not confirm that the pledged securities meet the criteria of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 as a valid security agreement against the FDIC.

Investments

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

Investment type	Credit Rating*	Fair Value	Days to Maturity
Government sponsored investment pool (LOGIC)	AAAm	\$13,406,175	<60
Government sponsored investment pool (TexPool)	AAAm	2,973,849	<60
Government sponsored investment pool (Texas Class)	AAAm	1,163,157	<60
Total Fair Value		\$17,543,181	

* Standard and Poors

Interest Rate Risk. In accordance with its investment policy, the County manages its exposure to declines in fair value by limiting the weighted average maturity of its portfolio to less than three years.

Credit Risk. State law limits investments as described previously in Note I D.1.

Concentration of Credit Risk. The County's investment policy does not allow for an investment in any one issuer (other than investment pools) that is in excess of five percent of the fair value of the County's total investments.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County requires all deposits to be covered by Federal Depository Insurance Corporation (FDIC) insurance and/or collateralized by qualified securities pledged by the County's depository in the County's name and held by the depository's agent.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

LOGIC, TexPool, and Texas Class are external investment pools and are not SEC registered. The Texas Interlocal Cooperation Act and the Texas Public Funds Investment Act provide for creation of public funds investments pools and permit eligible governmental entities to jointly invest their funds in authorized investments. The fair value of investments in the pools are independently reviewed monthly. At September 30, 2018 the fair value of the position in these pools approximates the fair value of the shares.

Cash	\$4,561,442
Investments	17,543,181
Total	\$22,104,623

Reported in the financial statements as:

Unrestricted cash and cash equivalents	\$19,373,919
Agency Funds	2,730,704
Total	\$22,104,623

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Grant	Unit Road	NonMajor and Other	Total
Taxes receivable	\$1,611,264	\$ --	\$530	\$177,127	\$1,788,921
Allowance	(128,949)	--	(509)	(16,022)	(145,480)
Net taxes receivable	<u>\$1,482,315</u>	<u>\$ --</u>	<u>\$21</u>	<u>\$161,105</u>	<u>\$1,643,441</u>
Fines receivable	\$14,345,202	\$ --	\$ --	\$ --	\$14,345,202
Allowance	(7,020,958)	--	--	--	(7,020,958)
Net fines receivable	<u>\$7,324,244</u>	<u>--</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$7,324,244</u>
Accounts receivable	<u>\$16,059</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$16,059</u>
Intergovernmental	<u>\$527,915</u>	<u>\$ --</u>	<u>\$327,764</u>	<u>\$102,890</u>	<u>\$958,569</u>

Governmental funds report *deferred resource inflows* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred resource inflows* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Deferred tax revenue (General Fund)	\$1,371,995	\$ --	\$1,371,995
Deferred fines revenue (General Fund)	2,676,905	--	2,676,905
Deferred grant revenue (General Fund)	--	9,355	9,355
Deferred tax revenue (Unit Road)	4	--	4
Deferred grant revenue (Grant Fund)	--	1,800	1,800
Deferred tax revenue (Debt Service Fund)	150,551	--	150,551
Total deferred/unearned revenue for governmental funds	<u>\$4,199,455</u>	<u>\$11,155</u>	<u>\$4,210,610</u>

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

C. Capital assets

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

	Balance 9/30/17	Additions	Retirements	Transfers	Balance 9/30/18
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	\$553,432	\$ --	\$ --	\$ --	\$553,432
Construction in progress	--	--	--	--	--
Total capital assets not being	553,432	--	--	--	553,432
Capital assets, being depreciated:					
Buildings	28,693,593	--	--	--	28,693,593
Machinery and equipment	8,045,613	1,154,730	--	--	9,200,343
Infrastructure	14,357,002	--	--	--	14,357,002
Total capital assets being depreciated	51,096,208	1,154,730	--	--	52,250,938
Less accumulated depreciation for:					
Buildings	(7,126,739)	(586,368)	--	--	(7,713,107)
Machinery and equipment	(6,713,620)	(507,498)	--	--	(7,221,118)
Infrastructure	(13,443,467)	(191,427)	--	--	(13,634,894)
Total accumulated depreciation	(27,283,826)	(1,285,293)	--	--	(28,569,119)
Total capital assets being depreciated,	23,812,382	(130,563)	--	--	23,681,819
Governmental activities capital assets,	<u>\$24,365,814</u>	<u>(\$130,563)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$24,235,251</u>

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

Governmental activities:	
General administration	\$323,196
Judicial	233,312
Financial administration	388
Public facilities	9,946
Public safety	392,801
Public transportation	325,650
Total depreciation expense - governmental activities	<u>\$1,285,293</u>

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of September 30, 2018, is as follows:

Fund	Receivable	Payable
Major Funds		
Unit Road Fund	\$1,154,340	\$ --
Grant Fund	--	457,208
Total Major Funds	1,154,340	457,208
Nonmajor Funds		
Law Library	--	51,896
Total Nonmajor Funds	--	51,896
Total Governmental Funds	1,154,340	509,104
Agency Funds		
Unclaimed Money	--	172
Juvenile Probation	--	645,064
Total Funds	\$1,154,340	\$1,154,340

Interfund receivables are primarily the result of overdrafts in pooled cash.

E. Interfund Transfers

Fund	Transfer In	Transfer Out
Major Funds		
General Fund	\$24,441	\$3,240,235
Unit Road Fund	2,794,869	--
Total Major Funds	2,819,310	3,240,235
Non Major Governmental Funds		
Grant Fund	20,000	--
911	--	9,728
Special Road and Bridge	--	5,153
Law Library	--	7,024
Narcotics Task Force	--	2,536
Records Management	38,432	--
Courthouse Security	386,934	--
Total Non Major Funds	445,366	24,441
Totals	\$3,264,676	\$3,264,676

The transfer from the General Fund to the Unit Road Fund and the Grant Fund were made to provide funding for those funds. The transfer to the Courthouse Security Fund was to provide additional funds for security in the new Justice Center. The transfer from the Grant Fund to the Unit Road Fund was made to match the grant revenue with the expenditures.

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

F. Long-term debt

The County issues general obligation bonds, certificates of obligation bonds, notes payable and capital lease obligations to provide funds for the acquisition and construction of major capital facilities. These issues are direct obligations and pledge the full faith and credit of the County.

General Debt Currently Outstanding:

Purpose	Original Amount	Year of Issue	Final Maturity	Interest Rate	Balance 9/30/18
General Long-Term Debt Issues					
General Obligation Bonds:					
Certificates of Obligation, 2007	\$5,605,000	8/16/07	2/1/27	4.34%	\$3,165,000
Certificates of Obligation, 2010	1,200,000	12/15/10	8/01/29	3.0% - 4.0%	785,000
Limited tax refund bonds, 2014	8,555,000	3/24/14	2/01/32	2.0% - 3.75%	7,505,000
Comb Ltd Pldg Rev CO's, 2018	5,955,000	93/05/18	2/01/38	3.0% - 4.0%	5,955,000
Total General Long-Term Debt					\$17,410,000

Annual debt service requirements to maturity for general debt:

Year	General Obligation Bonds		Total
	Principal	Interest	
2019	\$840,000	\$562,172	\$1,402,172
2020	865,000	555,808	1,420,808
2021	890,000	529,145	1,419,145
2022	925,000	500,774	1,425,774
2023	1,020,000	468,934	1,488,934
2024-2028	5,475,000	1,753,910	7,228,910
2029-2033	4,795,000	793,004	5,588,004
2034-2038	2,600,000	216,775	2,816,775
Total	\$17,410,000	\$5,380,522	\$22,790,522

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

CHANGES IN LONG-TERM LIABILITIES

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

	Balance 09/30/17	Additions	Retirements	Balance 09/30/18	Due Within One Year
Governmental activities:					
Certificates of obligation	\$4,325,000	--	(\$375,000)	\$3,950,000	\$390,000
Combo Ltd Pldg Rev certificates of	--	5,955,000	--	5,955,000	--
Tax notes	7,945,000	--	(440,000)	7,505,000	450,000
Bond premium	3,154	132,606	(3,535)	132,225	6,850
	<u>12,273,154</u>	<u>6,087,606</u>	<u>(818,535)</u>	<u>17,542,225</u>	<u>846,850</u>
Compensated absences	449,433	107,645	(112,358)	444,720	111,180
Net pension (asset) liability	61,201	2,559,019	(3,322,630)	(702,410)	--
Governmental activity Long-Term	<u>\$12,783,78</u>	<u>\$8,754,270</u>	<u>(\$4,253,523)</u>	<u>\$17,284,53</u>	<u>\$958,030</u>

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund.

Authorized and Unissued Debt

The County had no authorized but unissued debt at 9/30/18.

III. OTHER INFORMATION

A. Risk management

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

B. Contingent Liabilities and Commitments

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

The County, periodically, is defendant in various lawsuits. As of September 30, 2018, after consultation with the County's attorney, the County is not aware of any pending or threatened litigation which would have a material effect on the financial statements.

The District Clerk has invested trust funds at various financial institutions in accordance with court orders. The County has a fiduciary responsibility over these funds until their final disposition.

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

C. Commitment for Economic Development

The County entered into an agreement with a glass manufacturer, under the Chapter 381 Economic Development Program as of April 14, 2014. Under terms of the agreement, the manufacturer was to build a manufacturing plant and to provide employment for a certain number of employees at an agreed upon level of compensation over a six year period. Based upon compliance with the agreement, the County has committed to make a payment to the manufacturer based upon ad valorem taxes.

For the year ended September 30, 2018, the County paid this manufacturer \$21,380, which represented seventy-five percent of the ad valorem tax paid by the company to the County. The County is committed to pay up to 75% for year 5 and 100% for year 6, which is approximately \$50,000 as of September 30, 2018.

D. Retirement Commitments

1. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of 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, 78768-20343.

The plan provisions are adopted by the County commissioners' court, within the options available in the state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years 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 their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the County commissioners' court within the 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 contribution and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

2. Benefits

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the County, within the options available in the state statutes governing TCDRS.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees (or their beneficiaries) currently receiving benefits	112
Inactive employees entitled to but not yet receiving benefits	253
Active employees	240
	<u>605</u>

3. Contributions

The contribution rates for employees in TCDRS is 5% of employee gross earnings, and the County percentages is 4.0%, both as adopted by the governing body of the County. Under the state law governing TCDRS, the contribution rate for each County is determined annually by the actuary, using the Entry Age

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The County's contributions to TCDRS for the year ended September 30, 2018, were \$411,418 and were equal to the required contributions.

4. Net Pension Liability

The County's Net Pension Asset (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Asset was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

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 3.5% (made up of 3.0% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.4% per year for a career employee.

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. These assumptions were first used in the December 31, 2017 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

The long-term expected rate of return on pension plan investments is 8.10%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

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

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US Equities	11.50%	4.55%
Private Equity	16.00%	7.55%
Global Equities	1.50%	4.85%
International Equities - Developed	11.00%	4.55%
International Equities - Emerging	8.00%	5.55%
Investment - Grade Bonds	3.00%	0.75%
Strategic Credit	8.00%	4.12%
Direct Lending	10.00%	8.06%
Distressed Debt	2.00%	6.30%
REIT Equities	2.00%	4.05%
Master Limited Partnerships (MLPs)	3.00%	6.00%
Private Real Estate Partnerships	6.00%	6.25%
Hedge Funds	18.00%	4.10%
	100.00%	

Discount Rate

The discount rate used to measure the Total Pension Liability (Asset) was 8.1%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability (Asset).

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

Changes in the net pension liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability(Asset)
	[a]	[b]	[a] - (b)
Balance at 12/31/16	\$17,195,066	\$17,133,864	\$61,202
Changes for the year:			
Service cost	709,330	0	709,330
Interest on total pension liability	1,422,180	0	1,422,180
Effect of plan changes	316,503	0	316,503
Effect of economic/demographic gains or losses	20,818	0	20,818
Effect of of assumptions changes or inputs	77,063	0	77,063
Refund of contributions	(96,493)	(96,493)	0
Benefit payments	(610,497)	(610,497)	0
Administrative expenses	0	(13,125)	13,125
Member contributions	0	457,059	(457,059)
Net investment income	0	2,502,740	(2,502,740)
Employer contributions	0	361,461	(361,461)
Other	0	1,371	(1,371)
Net changes	1,838,904	2,602,516	(763,612)
Balance at 12/31/16	<u>\$19,033,970</u>	<u>\$19,736,380</u>	<u>(\$702,410)</u>

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.1%) or 1 percentage point higher (9.1%) than the current rate:

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Total pension liability	\$21,715,097	\$19,033,970	\$16,811,108
Fiduciary net position	19,736,379	19,736,380	19,736,379
Net Pension Liability (Asset)	<u>\$1,978,718</u>	<u>(\$702,410)</u>	<u>(\$2,925,271)</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

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

For the year ended September 30, 2018, the County recognized pension expense of \$700,271. At September 30, 2018, the County reported deferred outflows and inflows of resources related to pensions from the following sources:

	Original Amount	Date Established	Original Recognition Period	Amount Recognized in 9/30/18 Expense	Balance of Deferred Inflows 12/31/17	Balance of Deferred Outflows 12/31/2017
Investment (gains) or losses	(\$1,110,935)	12/31/2017	5.0	(\$222,187)	\$888,748	\$ --
	113,734	12/31/2016	5.0	22,747	--	68,240
	1,386,998	12/31/2015	5.0	277,400	--	554,799
	211,931	12/31/2014	5.0	42,386	--	42,386
Economic/demographic gains or losses	20,818	12/31/2017	4.0	5,205	--	15,614
	(173,840)	12/31/2016	4.0	(43,460)	86,920	--
	(234,308)	12/31/2015	4.0	(58,577)	58,577	--
	14,581	12/31/2014	4.0	3,645	--	--
Assumption changes or inputs	77,063	12/31/2017	4.0	19,266	--	57,797
	--	12/31/2016	4.0	--	--	--
	171,772	12/31/2015	4.0	42,943	--	42,943
	--	12/31/2014	4.0	--	--	--
Employer contributions made subsequent to measurement date				--	--	313,574
				<u>\$89,368</u>	<u>\$1,034,245</u>	<u>\$1,095,353</u>

\$262,887 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Inflows/outflows to Be Recognized in Future Years

Year ended December
31,

2018	\$85,722
2019	58,969
2020	(174,970)
2021	(222,187)
2022	--

(\$252,466)

CALDWELL COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2018

E. Concentrations of Credit Risk

Taxes receivable are due from citizens and businesses within the County's boundaries. Risk of loss is immaterial due to wide dispersion of receivables and because of policies which address procedures for filing property tax liens. Fines receivable are due from citizens primarily within the County's boundaries. Risk of loss is reduced by an allowance for uncollectibles and collection policies.

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Required Supplementary Information

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

CALDWELL COUNTY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Taxes</i>	\$ 16,782,511	\$ 16,782,511	\$ 16,903,493	\$ 120,982
<i>Licenses and permits</i>	756,000	756,000	596,066	(159,934)
<i>Intergovernmental</i>	1,143,692	1,272,594	1,347,255	74,661
<i>Fees of office</i>	835,250	835,250	992,867	157,617
<i>Fines</i>	757,000	757,000	931,435	174,435
<i>Miscellaneous</i>	105,000	200,419	109,354	(91,065)
<i>Investment earnings</i>	10,000	10,000	227,814	217,814
Total revenues	<u>20,389,453</u>	<u>20,613,774</u>	<u>21,108,284</u>	<u>494,510</u>
Expenditures:				
Current:				
<i>General administration</i>	2,865,289	2,875,699	2,465,447	410,252
<i>Judicial</i>	2,002,010	1,999,993	1,815,669	184,324
<i>Legal</i>	965,198	965,198	925,328	39,870
<i>Financial administration</i>	1,384,780	1,384,780	1,328,677	56,103
<i>Public facilities</i>	671,256	676,895	540,975	135,920
<i>Public safety</i>	8,086,823	8,141,447	7,449,362	692,085
<i>Environmental protection</i>	80,825	80,825	64,889	15,936
<i>Health and welfare</i>	808,281	808,281	684,721	123,560
<i>Conservation - agriculture</i>	108,335	108,335	105,875	2,460
Total Expenditures	<u>16,972,797</u>	<u>17,041,453</u>	<u>15,380,943</u>	<u>1,660,510</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,416,656</u>	<u>3,572,321</u>	<u>5,727,341</u>	<u>2,155,020</u>
Other Financing Sources (Uses):				
<i>Transfers in</i>	7,024	7,024	24,441	17,417
<i>Transfers out</i>	(3,240,235)	(3,242,252)	(3,240,235)	2,017
<i>Insurance proceeds</i>	--	42,481	90,397	47,916
<i>Sale of capital assets</i>	28,000	28,000	44,340	16,340
Total Other Financing Sources (Uses)	<u>(3,205,211)</u>	<u>(3,164,747)</u>	<u>(3,081,057)</u>	<u>83,690</u>
Net Change in Fund Balances	211,445	407,574	2,646,284	2,238,710
Fund Balances - Beginning	8,015,090	8,015,090	8,015,090	--
Fund Balances - Ending	<u>\$ 8,226,535</u>	<u>\$ 8,422,664</u>	<u>\$ 10,661,374</u>	<u>\$ 2,238,710</u>

CALDWELL COUNTY, TEXAS
UNIT ROAD FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>Taxes</i>	\$ 322,349	\$ 322,349	\$ 366,830	\$ 44,481
<i>Licenses and permits</i>	64,400	64,400	42,079	(22,321)
<i>Intergovernmental</i>	23,000	23,000	565,193	542,193
<i>Miscellaneous</i>	3,000	3,000	21,907	18,907
Total revenues	<u>412,749</u>	<u>412,749</u>	<u>996,009</u>	<u>583,260</u>
Expenditures:				
Current:				
<i>Public transportation</i>	3,207,618	3,515,465	3,406,597	108,868
Total Expenditures	<u>3,207,618</u>	<u>3,515,465</u>	<u>3,406,597</u>	<u>108,868</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,794,869)</u>	<u>(3,102,716)</u>	<u>(2,410,588)</u>	<u>692,128</u>
Other Financing Sources (Uses):				
<i>Transfers in</i>	2,794,869	2,794,869	2,794,869	--
Total Other Financing Sources (Uses)	<u>2,794,869</u>	<u>2,794,869</u>	<u>2,794,869</u>	<u>--</u>
Net Change in Fund Balances	--	(307,847)	384,281	692,128
Fund Balances - Beginning	1,250,729	1,250,729	1,250,729	--
Fund Balances - Ending	<u>\$ 1,250,729</u>	<u>\$ 942,882</u>	<u>\$ 1,635,010</u>	<u>\$ 692,128</u>

CALDWELL COUNTY, TEXAS
**SCHEDULE OF CHANGES IN THE COUNTY'S
 NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
 CALDWELL COUNTY PENSION PLAN
 LAST TEN CALENDAR YEARS**

	December 31,									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total pension liability:										
Service cost	\$ 709,330	\$ 735,926	\$ 699,158	\$ 661,894	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Interest	1,422,180	1,295,217	1,204,758	1,104,107	--	--	--	--	--	--
Changes of benefit terms	316,503	--	(123,589)	--	--	--	--	--	--	--
Differences between expected and actual experience	20,818	(173,840)	(234,308)	14,581	--	--	--	--	--	--
Changes of assumptions	77,063	--	171,772	--	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(706,990)	(572,411)	(617,525)	(543,659)	--	--	--	--	--	--
Net change in total pension liability	1,838,904	1,284,892	1,100,266	1,236,923	--	--	--	--	--	--
Total pension liability - beginning	17,195,066	15,910,174	14,809,908	13,572,985	--	--	--	--	--	--
Total pension liability - ending (a)	<u>\$ 19,033,970</u>	<u>\$ 17,195,066</u>	<u>\$ 15,910,174</u>	<u>\$ 14,809,908</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Plan fiduciary net position:										
Contributions - employer	\$ 361,461	\$ 337,091	\$ 333,197	\$ 326,662	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions - employee	457,059	421,365	416,496	408,329	--	--	--	--	--	--
Net investment income	2,502,740	1,174,886	(90,925)	990,419	--	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(706,990)	(572,411)	(617,525)	(543,659)	--	--	--	--	--	--
Administrative expense	(13,125)	(12,768)	(11,390)	(11,711)	--	--	--	--	--	--
Other	1,371	(75,001)	58,418	(17,254)	--	--	--	--	--	--
Net change in plan fiduciary net position	2,602,516	1,273,162	88,271	1,152,786	--	--	--	--	--	--
Plan fiduciary net position - beginning	17,133,864	15,860,702	15,772,431	14,619,645	--	--	--	--	--	--
Plan fiduciary net position - ending (b)	<u>\$ 19,736,380</u>	<u>\$ 17,133,864</u>	<u>\$ 15,860,702</u>	<u>\$ 15,772,431</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
County's net pension liability (asset) - ending (a) - (b)	<u>\$ (702,410)</u>	<u>\$ 61,202</u>	<u>\$ 49,472</u>	<u>\$ (962,523)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Plan fiduciary net position as a percentage of the total pension asset	103.69%	99.64%	99.69%	106.50%	--	--	--	--	--	--
Covered-employee payroll	\$ 9,036,531	\$ 8,427,292	\$ 8,329,910	\$ 8,166,575	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
County's net pension liability (asset) as a percentage of covered-employee payroll	-7.77%	0.73%	0.59%	-11.79%	--	--	--	--	--	--

Notes to Schedule:

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CALDWELL COUNTY, TEXAS
SCHEDULE OF COUNTY CONTRIBUTIONS
CALDWELL COUNTY PENSION PLAN
LAST TEN FISCAL YEARS

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 411,418	\$ 353,533	\$ 337,091	\$ 326,662	\$ 358,350	\$ 315,796	\$ 268,818	\$ 258,547	\$ 203,705	\$ 188,863
Contributions in relation to the actuarially determined contribution	(411,418)	(353,533)	(337,091)	(326,662)	(358,350)	(1,055,796)	(268,818)	(258,547)	(203,705)	(188,863)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ (740,000)	\$ --	\$ --	\$ --	\$ --
Covered-employee payroll	\$ 9,510,392	\$ 8,835,056	\$ 8,292,576	\$ 8,301,131	\$ 7,673,455	\$ 7,112,512	\$ 6,370,094	\$ 6,126,705	\$ 5,820,145	\$ 5,305,128
Contributions as a percentage of covered-employee payroll	4.33%	4.00%	4.06%	3.94%	4.67%	4.44%	4.22%	4.22%	3.50%	3.56%
Valuation date:	12/31/17									

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	12.4 years
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service. 4.9% average over career.
Investment rate of return	8.00%, net of pension plan investment expense, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average at retirement is 61.
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a projecting scale (100% of the MP 2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 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 and 2016: No changes in plan provisions; 2017: New annuity purchase rates were reflected for benefits earned.

CALDWELL COUNTY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended September 30, 2018

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on the GAAP basis of accounting for the general fund, certain special revenue funds, and the debt service fund. All annual appropriations lapse at fiscal year end.

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

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

The appropriated budget is prepared by fund. Any transfers of appropriations are first approved by the Commissioners' Court. Thus, the legal level of budgetary control is at the fund level. Several supplemental appropriations were required during the year.

B. The following funds had deficit fund balances at September 30, 2018:

Special Revenue Funds:	
Grant Fund	\$356,183
Law Library	52,316

C. The following funds had expenditures in excess of appropriations at September 30, 2018:

Special Revenue Funds:	
Justice Court Technology	\$1,972
Law Library	312
Hot Check	783
Debt Service	328

*Combining Statements and Budget Comparisons
as Supplementary Information*

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

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

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Assets:			
<i>Cash and cash equivalents</i>	\$ 505,177	\$ 946,915	\$ 1,452,092
<i>Receivables (net of allowances for uncollectibles):</i>			
Taxes	--	161,105	161,105
Intergovernmental	102,890	--	102,890
Total Assets	<u>\$ 608,067</u>	<u>\$ 1,108,020</u>	<u>\$ 1,716,087</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
<i>Accounts Payable</i>	\$ 1,390	\$ --	\$ 1,390
<i>Due to Other Funds</i>	509,104	--	509,104
Total Liabilities	<u>510,494</u>	<u>--</u>	<u>510,494</u>
Deferred Inflows of Resources			
<i>Deferred tax revenue</i>	--	150,551	150,551
<i>Deferred grant revenue</i>	1,800	--	1,800
Total deferred inflows of resources	<u>1,800</u>	<u>150,551</u>	<u>152,351</u>
Fund Balances:			
<i>Restricted</i>	439,463	957,469	1,396,932
<i>Committed</i>	64,809	--	64,809
<i>Unassigned</i>	(408,499)	--	(408,499)
Total Fund Balance	<u>95,773</u>	<u>957,469</u>	<u>1,053,242</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 608,067</u>	<u>\$ 1,108,020</u>	<u>\$ 1,716,087</u>

CALDWELL COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
<i>Taxes</i>	\$ --	\$ 1,416,605	\$ 1,416,605
<i>Intergovernmental</i>	457,108	--	457,108
<i>Fees of office</i>	271,107	--	271,107
<i>Fines</i>	18,125	--	18,125
<i>Miscellaneous</i>	6,649	--	6,649
<i>Investment earnings</i>	663	15,673	16,336
Total revenues	<u>753,652</u>	<u>1,432,278</u>	<u>2,185,930</u>
Expenditures:			
Current:			
<i>General administration</i>	662,840	--	662,840
<i>Judicial</i>	122,887	--	122,887
<i>Legal</i>	19,140	--	19,140
<i>Public safety</i>	15,940	--	15,940
<i>Public transportation</i>	118,052	--	118,052
Debt Service:			
<i>Principal</i>	--	816,830	816,830
<i>Interest and fiscal charges</i>	--	402,822	402,822
Total Expenditures	<u>938,859</u>	<u>1,219,652</u>	<u>2,158,511</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(185,207)</u>	<u>212,626</u>	<u>27,419</u>
Other Financing Sources (Uses):			
<i>Transfers in</i>	445,366	--	445,366
<i>Transfers out</i>	(24,441)	--	(24,441)
Total Other Financing Sources (Uses)	<u>420,925</u>	<u>--</u>	<u>420,925</u>
Net Change in Fund Balances	235,718	212,626	448,344
Fund Balances (Deficits) - Beginning	(139,945)	744,843	604,898
Fund Balances - Ending	<u>\$ 95,773</u>	<u>\$ 957,469</u>	<u>\$ 1,053,242</u>

CALDWELL COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2018

	Grant	LEOSE Constables Fund	Justice Court Technology	DRC Program
ASSETS				
Assets:				
<i>Cash and cash equivalents</i>	\$ --	\$ 3,361	\$ 16,419	\$ 1,013
<i>Receivables (net of allowances for uncollectibles):</i>				
Intergovernmental	102,890	--	--	--
Total Assets	\$ 102,890	\$ 3,361	\$ 16,419	\$ 1,013
LIABILITIES DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
<i>Accounts Payable</i>	\$ 65	\$ --	\$ --	\$ --
<i>Due to Other Funds</i>	457,208	--	--	--
Total Liabilities	457,273	--	--	--
Deferred Inflows of Resources				
<i>Deferred grant revenue</i>	1,800	--	--	--
Total deferred inflows of resources	1,800	--	--	--
Fund Balances:				
<i>Restricted</i>	--	3,361	16,419	1,013
<i>Committed</i>	--	--	--	--
<i>Unassigned</i>	(356,183)	--	--	--
Total Fund Balance (Deficits)	(356,183)	3,361	16,419	1,013
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 102,890	\$ 3,361	\$ 16,419	\$ 1,013

Records Preservation Fund	Law Library	Sheriff's Forfeiture	Hot Check	DA Forfeiture Fund
\$ 34,487	\$ --	\$ 28,103	\$ 65,125	\$ 39,794
--	--	--	--	--
<u>\$ 34,487</u>	<u>\$ --</u>	<u>\$ 28,103</u>	<u>\$ 65,125</u>	<u>\$ 39,794</u>
\$ 565	\$ 420	\$ --	\$ 316	\$ --
--	51,896	--	--	--
<u>565</u>	<u>52,316</u>	<u>--</u>	<u>316</u>	<u>--</u>
--	--	--	--	--
--	--	--	--	--
33,922	--	28,103	--	39,794
--	--	--	64,809	--
--	(52,316)	--	--	--
<u>33,922</u>	<u>(52,316)</u>	<u>28,103</u>	<u>64,809</u>	<u>39,794</u>
<u>\$ 34,487</u>	<u>\$ --</u>	<u>\$ 28,103</u>	<u>\$ 65,125</u>	<u>\$ 39,794</u>

CALDWELL COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2018

	<u>Records Management</u>	<u>Courthouse Security</u>	<u>Total Nonmajor Special Revenue Funds (See Exhibit C-1)</u>
ASSETS			
Assets:			
<i>Cash and cash equivalents</i>	\$ 59,978	\$ 256,897	\$ 505,177
<i>Receivables (net of allowances for uncollectibles):</i>			
Intergovernmental	--	--	102,890
Total Assets	<u>\$ 59,978</u>	<u>\$ 256,897</u>	<u>\$ 608,067</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
<i>Accounts Payable</i>	\$ 23	\$ 1	\$ 1,390
<i>Due to Other Funds</i>	--	--	509,104
Total Liabilities	<u>23</u>	<u>1</u>	<u>510,494</u>
Deferred Inflows of Resources			
<i>Deferred grant revenue</i>	--	--	1,800
Total deferred inflows of resources	<u>--</u>	<u>--</u>	<u>1,800</u>
Fund Balances:			
<i>Restricted</i>	59,955	256,896	439,463
<i>Committed</i>	--	--	64,809
<i>Unassigned</i>	--	--	(408,499)
Total Fund Balance (Deficits)	<u>59,955</u>	<u>256,896</u>	<u>95,773</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 59,978</u>	<u>\$ 256,897</u>	<u>\$ 608,067</u>

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CALDWELL COUNTY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Grant	911	Special Road & Bridge	LEOSE Constables Fund
Revenue:				
<i>Intergovernmental</i>	\$ 451,465	\$ --	\$ --	\$ 5,643
<i>Fees of office</i>	--	--	--	--
<i>Fines</i>	--	--	--	--
<i>Miscellaneous</i>	--	--	--	--
<i>Investment earnings</i>	--	--	--	--
Total revenues	<u>451,465</u>	<u>--</u>	<u>--</u>	<u>5,643</u>
Expenditures:				
Current:				
<i>General administration</i>	131,551	--	--	--
<i>Judicial</i>	56,739	--	--	--
<i>Legal</i>	--	--	--	--
<i>Public safety</i>	652	--	--	2,282
<i>Public transportation</i>	118,052	--	--	--
Total Expenditures	<u>306,994</u>	<u>--</u>	<u>--</u>	<u>2,282</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>144,471</u>	<u>--</u>	<u>--</u>	<u>3,361</u>
Other Financing Sources (Uses):				
<i>Transfers in</i>	20,000	--	--	--
<i>Transfers out</i>	--	(9,728)	(5,153)	--
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>(9,728)</u>	<u>(5,153)</u>	<u>--</u>
Net Change in Fund Balances	164,471	(9,728)	(5,153)	3,361
Fund Balances (Deficits) - Beginning	(520,654)	9,728	5,153	--
Fund Balances (Deficits) - Ending	<u>\$ (356,183)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 3,361</u>

Justice Court Technology	DRC Program	Records Preservation Fund	Law Library	Sheriff's Forfeiture
\$ --	\$ --	\$ --	\$ --	\$ --
30,236	(2,806)	164,090	15,789	--
--	--	--	--	7,231
--	--	--	--	--
--	--	--	--	235
<u>30,236</u>	<u>(2,806)</u>	<u>164,090</u>	<u>15,789</u>	<u>7,466</u>
--	--	155,950	4,788	--
34,496	--	--	--	--
--	--	--	--	--
--	--	--	--	13,006
--	--	--	--	--
<u>34,496</u>	<u>--</u>	<u>155,950</u>	<u>4,788</u>	<u>13,006</u>
<u>(4,260)</u>	<u>(2,806)</u>	<u>8,140</u>	<u>11,001</u>	<u>(5,540)</u>
--	--	--	--	--
--	--	--	(7,024)	--
--	--	--	<u>(7,024)</u>	--
(4,260)	(2,806)	8,140	3,977	(5,540)
20,679	3,819	25,782	(56,293)	33,643
<u>\$ 16,419</u>	<u>\$ 1,013</u>	<u>\$ 33,922</u>	<u>\$ (52,316)</u>	<u>\$ 28,103</u>

CALDWELL COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Hot Check</u>	<u>DA Forfeiture Fund</u>
Revenue:		
<i>Intergovernmental</i>	\$ --	\$ --
<i>Fees of office</i>	8,280	--
<i>Fines</i>	--	10,894
<i>Miscellaneous</i>	521	--
<i>Investment earnings</i>	--	410
Total revenues	<u>8,801</u>	<u>11,304</u>
Expenditures:		
Current:		
<i>General administration</i>	8,183	--
<i>Judicial</i>	--	--
<i>Legal</i>	--	19,140
<i>Public safety</i>	--	--
<i>Public transportation</i>	--	--
Total Expenditures	<u>8,183</u>	<u>19,140</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>618</u>	<u>(7,836)</u>
Other Financing Sources (Uses):		
<i>Transfers in</i>	--	--
<i>Transfers out</i>	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>
Net Change in Fund Balances	618	(7,836)
Fund Balances (Deficits) - Beginning	64,191	47,630
Fund Balances (Deficits) - Ending	<u>\$ 64,809</u>	<u>\$ 39,794</u>

Narcotics Task Force	Records Management	Courthouse Security	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ 457,108
--	14,926	40,592	271,107
--	--	--	18,125
6,128	--	--	6,649
18	--	--	663
<u>6,146</u>	<u>14,926</u>	<u>40,592</u>	<u>753,652</u>
--	1,077	361,291	662,840
--	31,652	--	122,887
--	--	--	19,140
--	--	--	15,940
--	--	--	118,052
<u>--</u>	<u>32,729</u>	<u>361,291</u>	<u>938,859</u>
<u>6,146</u>	<u>(17,803)</u>	<u>(320,699)</u>	<u>(185,207)</u>
--	38,432	386,934	445,366
(2,536)	--	--	(24,441)
<u>(2,536)</u>	<u>38,432</u>	<u>386,934</u>	<u>420,925</u>
3,610	20,629	66,235	235,718
(3,610)	39,326	190,661	(139,945)
<u>\$ --</u>	<u>\$ 59,955</u>	<u>\$ 256,896</u>	<u>\$ 95,773</u>

CALDWELL COUNTY, TEXAS
GRANT FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-5

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Intergovernmental</i>	\$ 1,100,000	\$ 451,465	\$ (648,535)
Total revenues	<u>1,100,000</u>	<u>451,465</u>	<u>(648,535)</u>
Expenditures:			
Current:			
<i>General administration</i>	--	131,551	(131,551)
<i>Judicial</i>	120,000	56,739	63,261
<i>Public safety</i>	--	652	(652)
<i>Public transportation</i>	1,000,000	118,052	881,948
Total Expenditures	<u>1,120,000</u>	<u>306,994</u>	<u>813,006</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(20,000)</u>	<u>144,471</u>	<u>164,471</u>
Other Financing Sources (Uses):			
<i>Transfers in</i>	20,000	20,000	--
Total Other Financing Sources (Uses)	<u>20,000</u>	<u>20,000</u>	<u>--</u>
Net Change in Fund Balances	--	164,471	164,471
Fund Balances (Deficits) - Beginning	(520,654)	(520,654)	--
Fund Balances (Deficits) - Ending	<u>\$ (520,654)</u>	<u>\$ (356,183)</u>	<u>\$ 164,471</u>

CALDWELL COUNTY, TEXAS
JUSTICE COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-6

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Revenue:			
<i>Fees of office</i>	\$ 19,400	\$ 30,236	\$ 10,836
Total revenues	<u>19,400</u>	<u>30,236</u>	<u>10,836</u>
Expenditures:			
Current:			
<i>Judicial</i>	32,524	34,496	(1,972)
Total Expenditures	<u>32,524</u>	<u>34,496</u>	<u>(1,972)</u>
Net Change in Fund Balances	(13,124)	(4,260)	8,864
Fund Balances - Beginning	20,679	20,679	--
Fund Balances - Ending	<u>\$ 7,555</u>	<u>\$ 16,419</u>	<u>\$ 8,864</u>

CALDWELL COUNTY, TEXAS
RECORDS PRESERVATION FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-7

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
<i>Fees of office</i>	\$ 148,000	\$ 164,090	\$ 16,090
Total revenues	<u>148,000</u>	<u>164,090</u>	<u>16,090</u>
Expenditures:			
Current:			
<i>General administration</i>	169,777	155,950	13,827
Total Expenditures	<u>169,777</u>	<u>155,950</u>	<u>13,827</u>
Net Change in Fund Balances	(21,777)	8,140	29,917
Fund Balances - Beginning	25,782	25,782	--
Fund Balances - Ending	<u>\$ 4,005</u>	<u>\$ 33,922</u>	<u>\$ 29,917</u>

CALDWELL COUNTY, TEXAS
LAW LIBRARY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-8

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
<i>Fees of office</i>	\$ 11,500	\$ 15,789	\$ 4,289
Total revenues	<u>11,500</u>	<u>15,789</u>	<u>4,289</u>
Expenditures:			
Current:			
<i>General administration</i>	4,476	4,788	(312)
Total Expenditures	<u>4,476</u>	<u>4,788</u>	<u>(312)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>7,024</u>	<u>11,001</u>	<u>3,977</u>
Other Financing Sources (Uses):			
<i>Transfers out</i>	(7,024)	(7,024)	--
Total Other Financing Sources (Uses)	<u>(7,024)</u>	<u>(7,024)</u>	<u>--</u>
Net Change in Fund Balances	--	3,977	3,977
Fund Balances - Beginning	(56,293)	(56,293)	--
Fund Balances - Ending	<u>\$ (56,293)</u>	<u>\$ (52,316)</u>	<u>\$ 3,977</u>

CALDWELL COUNTY, TEXAS
HOT CHECK
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-9

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenue:			
<i>Fees of office</i>	\$ 4,500	\$ 8,280	\$ 3,780
<i>Miscellaneous</i>	38	521	483
Total revenues	<u>4,538</u>	<u>8,801</u>	<u>4,263</u>
Expenditures:			
Current:			
<i>General administration</i>	7,400	8,183	(783)
Total Expenditures	<u>7,400</u>	<u>8,183</u>	<u>(783)</u>
Net Change in Fund Balances	(2,862)	618	3,480
Fund Balances - Beginning	64,191	64,191	--
Fund Balances - Ending	<u>\$ 61,329</u>	<u>\$ 64,809</u>	<u>\$ 3,480</u>

CALDWELL COUNTY, TEXAS
RECORDS MANAGEMENT
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-10

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Fees of office</i>	\$ 16,000	\$ 14,926	\$ (1,074)
Total revenues	<u>16,000</u>	<u>14,926</u>	<u>(1,074)</u>
Expenditures:			
Current:			
<i>General administration</i>	1,000	1,077	(77)
<i>Judicial</i>	56,264	31,652	24,612
Total Expenditures	<u>57,264</u>	<u>32,729</u>	<u>24,535</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(41,264)</u>	<u>(17,803)</u>	<u>23,461</u>
Other Financing Sources (Uses):			
<i>Transfers in</i>	36,415	38,432	2,017
Total Other Financing Sources (Uses)	<u>36,415</u>	<u>38,432</u>	<u>2,017</u>
Net Change in Fund Balances	(4,849)	20,629	25,478
Fund Balances - Beginning	39,326	39,326	--
Fund Balances - Ending	<u>\$ 34,477</u>	<u>\$ 59,955</u>	<u>\$ 25,478</u>

CALDWELL COUNTY, TEXAS
COURTHOUSE SECURITY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-11

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Fees of office</i>	\$ 29,700	\$ 40,592	\$ 10,892
Total revenues	<u>29,700</u>	<u>40,592</u>	<u>10,892</u>
Expenditures:			
Current:			
<i>General administration</i>	416,634	361,291	55,343
Total Expenditures	<u>416,634</u>	<u>361,291</u>	<u>55,343</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(386,934)</u>	<u>(320,699)</u>	<u>66,235</u>
Other Financing Sources (Uses):			
<i>Transfers in</i>	386,934	386,934	--
Total Other Financing Sources (Uses)	<u>386,934</u>	<u>386,934</u>	<u>--</u>
Net Change in Fund Balances	--	66,235	66,235
Fund Balances - Beginning	190,661	190,661	--
Fund Balances - Ending	<u>\$ 190,661</u>	<u>\$ 256,896</u>	<u>\$ 66,235</u>

CALDWELL COUNTY, TEXAS
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2018

EXHIBIT C-12

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>Taxes</i>	\$ 1,237,133	\$ 1,416,605	\$ 179,472
<i>Investment earnings</i>	3,500	15,673	12,173
Total revenues	<u>1,240,633</u>	<u>1,432,278</u>	<u>191,645</u>
Expenditures:			
Current:			
Debt Service:			
<i>Principal</i>	816,500	816,830	(330)
<i>Interest and fiscal charges</i>	402,824	402,822	2
Total Expenditures	<u>1,219,324</u>	<u>1,219,652</u>	<u>(328)</u>
Net Change in Fund Balances	21,309	212,626	191,317
Fund Balances - Beginning	744,843	744,843	--
Fund Balances - Ending	<u>\$ 766,152</u>	<u>\$ 957,469</u>	<u>\$ 191,317</u>

CALDWELL COUNTY, TEXAS
COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
SEPTEMBER 30, 2018

	<u>District Attorney</u>	<u>District Clerk</u>	<u>County Clerk</u>
ASSETS:			
<i>Cash and cash equivalents</i>	\$ 36,136	\$ 490,967	\$ 1,384,623
<i>Other receivables</i>	--	--	--
<i>Intergovernmental</i>	--	--	--
Total Assets	<u>\$ 36,136</u>	<u>\$ 490,967</u>	<u>\$ 1,384,623</u>
LIABILITIES:			
<i>Accounts payable</i>	\$ --	\$ --	\$ --
<i>Due to governmental funds</i>	--	--	--
<i>Due to other governments</i>	--	--	--
<i>Due to others</i>	36,136	490,967	1,384,623
Total Liabilities	<u>\$ 36,136</u>	<u>\$ 490,967</u>	<u>\$ 1,384,623</u>

County Sheriff	Elections	Unclaimed Moneys	Juvenile Probation Fund	Total Agency Funds (See Exhibit A-7)
\$ 261,611	\$ 4,886	\$ 634	\$ 551,847	\$ 2,730,704
--	--	--	3,051	3,051
--	--	--	304,605	304,605
<u>\$ 261,611</u>	<u>\$ 4,886</u>	<u>\$ 634</u>	<u>\$ 859,503</u>	<u>\$ 3,038,360</u>
\$ --	\$ --	\$ --	\$ 82,690	\$ 82,690
--	--	172	645,064	645,236
--	--	--	131,749	131,749
261,611	4,886	462	--	2,178,685
<u>\$ 261,611</u>	<u>\$ 4,886</u>	<u>\$ 634</u>	<u>\$ 859,503</u>	<u>\$ 3,038,360</u>

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RUTLEDGE CRAIN & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS

2401 Garden Park Court, Suite B
Arlington, Texas 76013

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Caldwell County, Texas as of and for the year ended September 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Caldwell County, Texas' internal control over financial reporting (internal control) as a basis for designing 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 Caldwell County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Caldwell County, Texas' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the following deficiencies in internal control to be material weaknesses:

1. Bank Statements Not Reconciled to General Ledger Cash Accounts on a Timely Basis

The most basic of reconciliations of the accounting records is the reconciliation of the bank statement to the general ledger (Texas Local Government Code, Sec. 113.008, Reconciliation of Depository Accounts). In the prior year we noted that the primary bank accounts had not been reconciled in sixteen months. For the year ended September 30, 2018, we noted that some progress has been made, although the two primary accounts are not being reconciled promptly. Additionally, the County Auditor's office continues to assist in the reconciliation of the primary bank account. The reconciliation of this account is a responsibility of the County Treasurer, and not the County Auditor. The responsibility of the County Auditor is to audit the reconciliation.

The County Treasurer and assistant should receive additional training in reconciling bank accounts and continued assistance from the County Auditor's office, until all bank account reconciliations are prepared on a timely basis.

2. General Ledger Accounts Not Reconciled to Underlying Subsidiary Accounts and Records

The County Auditor is charged with maintaining the records of the County's financial transactions, including the general ledger. We discovered that numerous balance sheet accounts are not being reconciled to the supporting subsidiary ledgers and accounts.

This comment was made in the prior year and a lot of progress has been made in the current year. The addition of a purchasing agent and grant coordinator has helped, however, there is still a considerable amount of work to be done to clean up the general ledger.

We recommend that balance sheet accounts be reconciled to subsidiary ledgers on a monthly basis. All errors should be reconciled and corrected on a contemporaneous basis, and not at year end.

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. We consider the following deficiencies in internal control to be significant deficiencies:

3. County Auditor's Office Not Conducting Quarterly Audits of County Offices

Texas Local Government Code, Chapter 115, Audit of County Finances, requires that at least once each quarter, the County Auditor shall check the books and shall examine in detail the reports of the county tax assessor-collector, the county treasurer, and all other officers. The auditor shall verify the footings and the correctness of those books and reports. The auditor shall either stamp the books and reports approved or shall note any differences, errors, or discrepancies. As of the date of our audit, these audits are not being conducted. This comment is being repeated from last year's report.

We recommend that the offices of elected and appointed officials be audited in accordance with Chapter 115 of the Texas Local Government Code. These audits should be documented to include audit work papers and written reports. Action should be taken to correct any errors found, and a report documenting the audits should be made available to the court.

4. Capital Asset Records Not Properly Maintained

The County has over fifty million dollars in capital assets, but the capital asset records are maintained on spreadsheets. Four years ago, the County installed a new general ledger package from a vendor which has a capital asset module well suited to maintaining the detailed capital asset records. However, the County has not implemented this module. Keeping manual records of capital assets and depreciation schedules increases the chance of errors in record keeping. This comment is being repeated from last year's report.

We recommend that the County acquire the capital asset module, then tag, inventory, and record all capital assets with a value of \$5,000 or greater on this automated system.

During our audit, we also became aware of the following deficiencies in internal control other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency:

5. Payroll should be processed with a minimal amount of corrections.

The County adopted a twenty-six payrolls per year system which provides more time to process payroll, resulting in a reduction in the number of errors per pay period. In the prior year, the number of errors resulted in a comment designated as a significant weakness in internal control. The change in payroll has reduced the number of errors, however, there are still errors occurring in the processing of payroll in the current year, due to turnover of personnel and lack of training.

We recommend that the County continue to address training of personnel who handle payroll, until the problem is resolved.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various governmental unit personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, and others within Caldwell County, Texas, and is not intended to be, and should not be, used by anyone other than these specified parties.

Caldwell County, Texas' written response to the deficiencies, significant deficiencies, and material weaknesses identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it (see Attachment 1).



April 8, 2019

Attachment – County Auditor Responses to Report on Significant Deficiencies and Material Weaknesses in Internal Control dated April 8, 2018

Material Weaknesses in Internal Control

1. Bank Statements Not Reconciled to General Ledger Cash Accounts on a Timely Basis

Response from County:

An Action Plan was implemented by the County Auditor's office to provide training to the predecessor County Treasurer. This training resulted in nine (9) of the more simple bank statements and one of the more complicated bank statements, consisting of money market accounts being reconciled by the previous County Treasurer. Three (3) bank statements continue to be reconciled in the County Auditor's office; one (1) is the Operating Bank Statement which is the most complicated of all.

The change in the County Treasurer's office has resulted in starting all over again and attempting to schedule time to train on bank reconciliations. In the month of January 2019, copies of bank statements and supporting documentation were provided to the County Treasurer's office for review, and a request was made to schedule training sessions. There has been minimal training that has taken place after the County Auditor's office has requested to cross train on several occasions.

A meeting is scheduled to receive an action plan from the County Treasurer's office on projections meeting the above criteria which are set by statute. Currently, the bank statements in the County Treasurer's office are behind from November 2018, with the exception of the bank statements reconciled by the County Auditor's office.

2. General Ledger Accounts Not Reconciled to Underlying Subsidiary Accounts and Records

Response from County:

Action Plan includes the following:

The County Auditor's office will coordinate efforts with the County Treasurer's office to receive training from INCODE on proper utilization of the Cashiering Module. This will remove revenue warrants from the County Auditor's office, properly segregating this duty, and placing them in the County Treasurer's office, where the receipts will be entered by the County Treasurer, before being audited by the County Auditor's office. This alleviates fifty percent (50%) of the assistant auditor's time.

The County Auditor's Department spends time training and/or implementing procedures County wide but is focused with the following offices: Grant Writer, Purchasing, County Treasurer's office, Human Resources, and Budgeting with Judge's office. The County Auditor's office continues to support the newly elected positions.

As the County continues to grow, the County Auditor's office has inherited various other duties that are not technically County Auditor functions. Some examples are systems administrator for INCODE / Tyler technology, ESS, revenue warrants, coordinator/trainer, reconciling bank statements, etc. The County Auditor's office is continuing to work with the newly elected County Treasurer by cross training on bank reconciliations, bank depository, payroll, and investments and other related items.

The fact that the County has grown has resulted in increased demands of the County Auditor's office. This has been hindered by the fact that there have been five (5) different County Auditors in a matter seven (7) fiscal years. Due to these issues, the County is behind on sufficient personnel to maintain meeting the mandates of the department's needs.

Attachment – County Auditor Responses to Report on Significant Deficiencies and Material Weaknesses in Internal Control dated April 8, 2018

Significant Deficiencies in Internal Control

3. County Auditor's Office Not Conducting Quarterly Audits of County Offices

Response from County:

The Action Plan includes the position of Internal Auditor, whose primary duty should be auditing. However, the Internal Auditor has been spending excessive time working in the systems administration mode with INCODE / Tyler Technology on modules which were not implemented until FY 2018 and 2019 (i.e. ESS, purchasing, budget). In addition, the Internal Auditor is working in the capacity of the systems administrator with the financial modules, (i.e. cashiering, personnel, general ledger, payroll, and accounts payable). The Internal Auditor has been training the newly hired Grant Writer, on almost eighteen (18) grants and auditing the financial status reports. Field training on ESS, cross training the County Treasurer on the State Fee reports, and / or auditing payroll has been a continuous extra duty of this position. As noted above, the Internal Auditor has not had the opportunity to function in the capacity he/she was hired to work in; therefore, as noted above, a decision needs to be made in hiring additional personnel, revising the job description and/or both. It is the County Auditor's recommendation to do both to meet the demands of the management comments, but the office cannot continue to work in this capacity.

4. Capital Asset Records Not Properly Maintained

Response from County:

The Action Plan resulted in Caldwell County hiring a new position, Purchasing Agent, in October 2018. This individual trained on the Fixed Asset Module in February 2019 and plans to implement the Fixed Asset module in Fiscal Year 2020.

Deficiency in Internal Control

5. Payroll Requires Numerous Corrections Each Pay Period.

Response from County:

The County Auditor's office worked with Human Resources and the County Treasurer in field training County wide to implement the twenty-six (26) payroll conversion beginning May 2018 for FY 2019. The conversion did improve some major factors that included following FSLA and DOL reporting for overtime and compensated balances. Although there has been turnover in the County Treasurer Position, the County Auditor office is averaging two (2) to three (3) days every other week on ESS and auditing the Payroll.

Action Plan: Require additional training on an annual basis for Department Heads and Support staff on correct timesheet entry prior to approval on ESS and for the human resource and/or payroll to train all new hires on ESS. The policies in the Human Resources Handbook need to be aligned with the 26 pay period conversion. To maximize and improve the county's resources, a solution may include hiring an individual in the County Auditor's office to dedicate the time to process payroll and train accordingly.