

PRESIDIO COUNTY, TEXAS
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

PRESIDIO COUNTY, TEXAS

SEPTEMBER 30, 2019

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable County Judge and
Members of the Commissioners' Court
Presidio County, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Presidio County, Texas as of September 30, 2019 and the respective changes in financial position and, where applicable, cash flows thereof for the year 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 and OPEB information on pages 5-12 and 64-69, 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 Presidio County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2021, on our consideration of Presidio County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Presidio County, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Presidio County, Texas' internal control over financial reporting and compliance.

Gilson Ruddock Patterson LLC

El Paso, Texas
January 7, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Presidio County, Texas
300 N. Highland Avenue
Marfa, Texas 79843**

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Presidio County, Texas discuss and analyze the County's financial performance for the fiscal year ended September 30, 2019. Please read it in conjunction with, the independent auditors' report on page 2 and 84, and the County's Basic Financial Statements which begin on page 13.

FINANCIAL HIGHLIGHTS

As a result of this year's operations and a prior period adjustment, the County's total net position decreased by \$1,497,395. Net position of our governmental activities decreased by \$726,889 and the business-like activities decreased by \$770,506. The reduction in net position is primarily due to the recording of a long-term post-employment benefit liability offset by a capital grant for airport runway reconstruction.

During the year, the County had expenses that were \$2,290,890 less than the \$9,139,329 generated by the ad valorem taxes, licenses and permits, charges for services, and grants, as well as miscellaneous income in the governmental activities. The County had expenses that were \$770,506 more than the \$529,886 that was generated by charges for services and transfers in the proprietary fund. This reduction in revenues was anticipated due to the closure of the jail for renovation.

The governmental funds ended the year with a fund balance of \$3,472,247 compared to a fund balance of \$2,277,959 at the end of the prior year. The proprietary fund ended the year with net position of \$3,638,920 compared to a net position of \$4,409,426 at the end of the prior year.

The general fund budget for the County revealed \$205,227 more revenues were received during the year than were budgeted while \$812,186 less expenses were incurred than were budgeted for in the year. In addition, other financing uses were \$56,317 less than what was budgeted. The net effect of the budget variance was \$1,073,730, a positive budget variance.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

For governmental activities, the Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Reporting the County as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the County's overall financial condition and operations can be found in Exhibits A-1 Statement of Net Position and B-1 Statement of Activities, respectively. Its primary purpose is to show whether the County is better or worse off as a result of the year's activities. The Statement of Net Position includes all the County's assets, deferred outflows, liabilities, deferred inflows, and net position at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the County's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net position and changes in them. The County's net position, the difference between assets, deferred outflows, liabilities, and deferred inflows provide one measure of the County's financial health, or financial position. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the County, however, one should consider nonfinancial factors as well.

Reporting the County's Most Significant Funds

Fund Financial Statements

Specific provisions of laws, bond covenants and contracts require the County to establish funds. The County's administration establishes many other funds to help it control and manage money for particular purposes such as grants.

Governmental Funds

Only the County's general operating funds are reported in governmental funds. These use the modified accrual accounting, a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash, and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the County's activities.

Proprietary Funds

The County's enterprise activity, the County Jail, is reported as a proprietary fund. This fund uses the accrual basis of accounting, a method that measures the performance and position of the fund by recognizing economic events regardless of when cash transactions occur. Economic events are recognized by matching revenues to expenses at the time in which the transaction occurs rather than when payment is made or received.

Fiduciary Funds

The County's fiduciary funds are used to account for money held by the County on a temporary basis, but belonging to individuals or entities other than the County. The fiduciary funds are not part of the government-wide statements and are reported on a full accrual basis of accounting with an economic resources measurement focus.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the County's governmental and business-type activities.

TABLE I – SUMMARY OF NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current Assets	\$ 5,332,065	\$ 4,033,933	\$ 1,028,304	\$ 2,396,171	\$ 6,360,369	\$ 6,430,104
Capital Assets, net	10,770,632	8,619,679	3,142,234	2,939,221	13,912,866	11,558,900
Net Pension Asset	-	295,924	-	-	-	295,924
Total Assets	16,102,697	12,949,536	4,170,538	5,335,392	20,273,235	18,284,928
Total Deferred						
Outflows of Resources	632,585	190,838	-	-	632,585	190,838
Liabilities						
Current Liabilities	773,755	661,095	207,733	491,188	981,488	1,152,283
Debt Service –						
Current	335,128	338,316	98,697	95,597	433,825	433,913
Debt Service –						
Noncurrent	809,440	426,463	207,096	305,793	1,016,536	732,256
Comp. Absences –						
Noncurrent	85,683	98,638	18,092	33,388	103,775	132,026
Net Pension Liability	459,847	-	-	-	459,847	-
Net OPEB Liability	3,476,261	-	-	-	3,476,261	-
Total Liabilities	5,940,114	1,524,512	531,618	925,966	6,471,732	2,450,478
Total Deferred Inflows						
of Resources	4,928	98,733	-	-	4,928	98,733
Net Position						
Net Invested in Capital						
Assets	9,626,064	7,854,900	2,836,441	2,537,831	12,462,505	10,392,731
Restricted	814,536	306,491	-	-	814,536	306,491
Unrestricted	349,640	3,355,738	802,479	1,871,595	1,152,119	5,227,333
Total Net Position	\$ 10,790,240	\$ 11,517,129	\$ 3,638,920	\$ 4,409,426	\$ 14,429,160	\$ 15,926,555

TABLE II – SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Property Taxes	\$ 3,513,882	\$ 3,327,757	\$ -	\$ -	\$ 3,513,882	\$ 3,327,757
Charges for Services	1,969,500	2,057,203	536,203	1,431,982	2,505,703	3,489,185
Operating & Capital Grants	3,488,794	147,905	-	-	3,488,794	147,905
Other	160,836	149,064	-	-	160,836	149,064
Total Revenues	9,133,012	5,681,929	536,203	1,431,982	9,669,215	7,113,911
Expenses						
General						
Government	2,541,347	2,349,764	-	-	2,541,347	2,349,764
Judicial	709,045	606,388	-	-	709,045	606,388
Public Safety	1,135,585	990,772	-	-	1,135,585	990,772
Public Works	1,703,946	1,394,574	-	-	1,703,946	1,394,574
Culture and Recreation	276,356	245,276	-	-	276,356	245,276
Interest on Debt	19,640	17,309	-	-	19,640	17,309
Other Debt	23,000	-	-	-	23,000	-
Jail	-	-	1,300,392	1,285,653	1,300,392	1,285,653
Total Expenses	6,408,919	5,604,083	1,300,392	1,285,653	7,709,311	6,889,736
Excess (Deficiency) of Revenues over Expenditures	2,724,093	77,846	(764,189)	146,329	1,959,904	224,175
Other Financing Sources (Uses)						
Transfers	6,317	1,340	(6,317)	(1,340)	-	-
Loss on Disposal of Capital Assets	(439,520)	-	-	-	(439,520)	-
Change in Net Position	2,290,890	79,186	(770,506)	144,989	1,520,384	224,175
Net Position – Beginning of Year	11,517,129	11,603,005	4,409,426	4,532,080	15,926,555	16,135,085
Prior Period Adjustment	(3,017,779)	(165,062)	-	(267,643)	(3,017,779)	(432,705)
Net Position – End of Year	\$ 10,790,240	\$ 11,517,129	\$ 3,638,920	\$ 4,409,426	\$ 14,429,160	\$ 15,926,555

Although, the County's tax rate for 2019 was lower than 2018, the County's revenue increased due to an increase in property tax values. Jail revenue decreased due to the closure for renovations. The Jail closed in July, 2018 and re-opened in mid-April, 2019. Operating & Capital Grants revenue increased primarily due to a Texas Department of Transportation project for runway reconstruction at the Airport.

For 2019, hourly employees received raises ranging from \$0.45/hr to \$3.09/hr. No increase was granted to salaried, elected or appointed positions.

BUDGET

Over the course of the year, the Commissioners Court revises the County's budget several times, as needed. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved after the beginning of the year and reflect the actual beginning balances versus the amounts estimated in September 2019 or receipt of unanticipated revenues. The second category involves amendments moving funds from accounts that did not need all the resources originally appropriated to them to programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2019, the County had \$13.9 million net, invested in land, buildings, improvements, infrastructure, machinery and equipment, and construction in progress

TABLE III – CAPITAL ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 569,059	\$ 1,027,773	\$ 933	\$ 933	\$ 569,992	\$ 1,028,706
Buildings, Improvements and Infrastructure	13,143,705	13,158,295	5,930,455	5,930,455	19,074,160	19,088,750
Machinery and Equipment	6,364,064	6,328,601	355,105	195,038	6,719,169	6,523,639
Construction in Progress	3,278,700	14,879	983,315	673,272	4,262,015	688,151
Accumulated Depreciation	(12,584,896)	(11,909,869)	(4,127,574)	(3,860,477)	(16,712,470)	(15,770,346)
Total Net Capital Assets	\$ 10,770,632	\$ 8,619,679	\$ 3,142,234	\$ 2,939,221	\$ 13,912,866	\$ 11,558,900

The government activities' capital assets increased due to the construction in progress for the airport runway reconstruction project, offset by the sale of trust properties. The business-type activities' capital assets increased due to the construction in progress for the renovation of the jail and the purchase of a new software system.

Debt Administration

At the end of the year the governmental activities had \$219,000 outstanding for bonds, which is a decrease of \$264,000 from the prior year. Other long-term liabilities include limited tax notes of \$418,000, a Texas Water Development Board forgivable loan of \$300,000, and capital leases of \$207,658. The enterprise fund debt balance for the jail renovations was \$305,793 at year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and controlled use of the County's resources, as well as a means to accomplish the highest priority objectives. Through the budget, the Commissioner's Court sets the direction of the County, allocates its resources and establishes its priorities.

The fiscal year 2020 budget was adopted on September 27, 2019 with total governmental fund expenditures of \$6,327,644 a 4.3% decrease from the fiscal year 2019 budgeted expenditures. The County's ad valorem tax rate is \$0.604250 for fiscal year 2020, which is effectively a 1.7% decrease over the prior year.

As a result of the COVID-19 pandemic, certain revenue streams of the County for fiscal year 19-20 have been impacted including, but not limited to, the justice of the peace, the district and county clerk offices, the County jail, and airport fuel sales. For fiscal year 20-21, property tax collections are lagging behind. The County is actively addressing any shortfalls in revenue through reduced spending and budget amendments. In addition, the general fund had unassigned fund balance of \$2.5M as of 9-30-2019 which is available if needed.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Treasurer's office, at the Presidio County Courthouse, P.O. Box 1055, Marfa, Texas 79843.

BASIC FINANCIAL STATEMENTS

PRESIDIO COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

EXHIBIT A-1 (Cont'd)

Data Control Codes	Primary Government			
	Governmental Activities	Business - Type Activities	Total	
ASSETS				
1010	Cash and Cash Equivalents	\$ 3,774,795	\$ 949,777	\$ 4,724,572
1050	Taxes Receivable, Net	1,072,969	-	1,072,969
1150	Accounts Receivable Net	15,577	73	15,650
1260	Due from Other Governments	328,066	78,454	406,520
1410	Inventories	49,748	-	49,748
1430	Prepaid Items	90,910	-	90,910
	Capital Assets:			
1710	Land	569,059	933	569,992
1720	Infrastructure, Net	2,652,683	-	2,652,683
1730	Buildings, Net	3,243,837	1,906,430	5,150,267
1750	Furniture and Equipment, Net	1,026,353	251,556	1,277,909
1780	Construction in Progress	3,278,700	983,315	4,262,015
1000	Total Assets	<u>16,102,697</u>	<u>4,170,538</u>	<u>20,273,235</u>
DEFERRED OUTFLOWS OF RESOURCES				
1997	Deferred Outflow Related to Pension Plan	<u>632,585</u>	<u>-</u>	<u>632,585</u>
1500	Total Deferred Outflows of Resources	<u>632,585</u>	<u>-</u>	<u>632,585</u>

PRESIDIO COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

EXHIBIT A-1

Data Control Codes	Primary Government			
	Governmental Activities	Business - Type Activities	Total	
LIABILITIES				
2010	Accounts Payable	344,545	196,677	541,222
2030	Compensated Absences Payable	28,561	6,031	34,592
2070	Intergovernmental Payable	76,901	-	76,901
2090	Due to Others	291,176	-	291,176
2140	Accrued Interest Payable	6,906	5,025	11,931
2230	Unearned Revenues	25,666	-	25,666
2240	Notes Payable - Current	-	98,697	98,697
2250	Bonds Payable - Current	219,000	-	219,000
2260	Capital Leases Payable - Current	63,128	-	63,128
2270	Tax Notes Payable - Current	53,000	-	53,000
	Noncurrent Liabilities:			
2501	Tax Notes Payable - Noncurrent	365,000	-	365,000
2502	Notes Payable - Noncurrent	-	207,096	207,096
2520	Loans Payable - Noncurrent	300,000	-	300,000
2540	Capital Leases Payable - Noncurrent	144,440	-	144,440
2550	Compensated Absences Payable - Noncurrent	85,683	18,092	103,775
2580	Net Pension Liability	459,847	-	459,847
2590	Net OPEB Liability	3,476,261	-	3,476,261
2000	Total Liabilities	<u>5,940,114</u>	<u>531,618</u>	<u>6,471,732</u>
DEFERRED INFLOWS OF RESOURCES				
2602	Deferred Inflow Related to Pension Plan	4,928	-	4,928
2500	Total Deferred Inflows of Resources	<u>4,928</u>	<u>-</u>	<u>4,928</u>
NET POSITION				
3200	Net Investment in Capital Assets	9,626,064	2,836,441	12,462,505
	Restricted for:			
3860	Restricted for Debt Service	181,789	-	181,789
3890	Restricted for Other Purposes	632,747	-	632,747
3900	Unrestricted	349,640	802,479	1,152,119
3000	Total Net Position	<u>\$ 10,790,240</u>	<u>\$ 3,638,920</u>	<u>\$ 14,429,160</u>

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

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

Data Control Codes	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
100 General Government	\$ 2,541,347	\$ 250,115	\$ -	\$ -
120 Judicial	709,045	617,832	48,533	-
200 Public Safety	1,135,585	57,922	46,764	-
300 Public Works	1,703,946	984,670	456,058	2,937,439
500 Culture and Recreation	276,356	58,961	-	-
720 Interest on Debt	19,640	-	-	-
790 Other Debt Service	23,000	-	-	-
Total Governmental Activities	<u>6,408,919</u>	<u>1,969,500</u>	<u>551,355</u>	<u>2,937,439</u>
BUSINESS-TYPE ACTIVITIES:				
701 Jail	1,300,392	536,203	-	-
Total Business-Type Activities	<u>1,300,392</u>	<u>536,203</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 7,709,311</u></u>	<u><u>\$ 2,505,703</u></u>	<u><u>\$ 551,355</u></u>	<u><u>\$ 2,937,439</u></u>

Data Control Codes	General Revenues:
	Taxes:
010	Property Taxes, Levied for General Purposes
011	Property Taxes, Levied for Debt Service
190	Penalty and Interest on Taxes
700	Miscellaneous Revenue
800	Investment Earnings
S1	Special Item - Resource
	Transfers In (Out)
	Total General Revenues, Special Items, and Transfers
	Change in Net Position
	Net Position - Beginning
	Prior Period Adjustment
	Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (2,291,232)	\$ -	\$ (2,291,232)
(42,680)	-	(42,680)
(1,030,899)	-	(1,030,899)
2,674,221	-	2,674,221
(217,395)	-	(217,395)
(19,640)	-	(19,640)
(23,000)	-	(23,000)
<u>(950,625)</u>	<u>-</u>	<u>(950,625)</u>
-	(764,189)	(764,189)
<u>-</u>	<u>(764,189)</u>	<u>(764,189)</u>
(950,625)	(764,189)	(1,714,814)
3,218,251	-	3,218,251
295,631	-	295,631
81,047	-	81,047
79,623	-	79,623
166	-	166
(439,520)	-	(439,520)
6,317	(6,317)	-
<u>3,241,515</u>	<u>(6,317)</u>	<u>3,235,198</u>
2,290,890	(770,506)	1,520,384
11,517,129	4,409,426	15,926,555
(3,017,779)	-	(3,017,779)
<u>\$ 10,790,240</u>	<u>\$ 3,638,920</u>	<u>\$ 14,429,160</u>

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

PRESIDIO COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

Data Control Codes	General Fund	Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1010 Cash and Cash Equivalents	\$ 2,962,194	\$ -	\$ 812,601	\$ 3,774,795
1050 Taxes Receivable	1,192,188	-	-	1,192,188
1051 Allowance for Uncollectible Taxes (credit)	(119,219)	-	-	(119,219)
1150 Accounts Receivable Net	-	-	15,577	15,577
1260 Due from Other Governments	48,640	-	279,426	328,066
1300 Due from Other Funds	270,903	-	66,391	337,294
1410 Inventories	-	-	49,748	49,748
1430 Prepaid Items	13,980	69,209	7,721	90,910
1000 Total Assets	<u>\$ 4,368,686</u>	<u>\$ 69,209</u>	<u>\$ 1,231,464</u>	<u>\$ 5,669,359</u>
LIABILITIES				
2010 Accounts Payable	\$ 315,070	\$ -	\$ 30,036	\$ 345,106
2070 Intergovernmental Payable	-	-	76,901	76,901
2080 Due to Other Funds	91,088	591	245,615	337,294
2090 Due to Others	291,176	-	-	291,176
2230 Unearned Revenues	25,666	-	-	25,666
2000 Total Liabilities	<u>723,000</u>	<u>591</u>	<u>352,552</u>	<u>1,076,143</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,072,969	-	-	1,072,969
2603 Deferred Resource Inflow Contract	48,000	-	-	48,000
2600 Total Deferred Inflows of Resources	<u>1,120,969</u>	<u>-</u>	<u>-</u>	<u>1,120,969</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	49,748	49,748
3430 Prepaid Items	13,980	69,209	7,721	90,910
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	188,696	188,696
3490 Other Restricted Fund Balance	-	-	632,747	632,747
3600 Unassigned Fund Balance	2,510,737	(591)	-	2,510,146
3000 Total Fund Balances	<u>2,524,717</u>	<u>68,618</u>	<u>878,912</u>	<u>3,472,247</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,368,686</u>	<u>\$ 69,209</u>	<u>\$ 1,231,464</u>	<u>\$ 5,669,359</u>

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

PRESIDIO COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Total Fund Balances - Governmental Funds	\$	3,472,247
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$20,529,548 and the accumulated depreciation was \$11,909,869. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		7,720,080
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase (decrease) net position.		3,172,995
Included in the items related to liabilities is the recognition of the County net pension liability required by GASB 68 in the amount of \$459,847, a deferred outflow of resources related to TCDRS of \$632,585 and deferred inflow of resources related to TCDRS of \$4,928. This amounted to an increase in net position in the amount of \$167,810.		167,810
The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(687,525)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		420,894
Included in the items related to debt is the recognition of the County's total OPEB liability as required by GASB 75. The net position related to OPEB includes a total OPEB liability in the amount of \$3,476,261, which caused a decrease in net position by the same amount.		(3,476,261)
Net Position of Governmental Activities	\$	10,790,240

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

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

Data Control Codes	General Fund	Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
Taxes:				
5110 Property Taxes	\$ 3,204,920	\$ -	\$ 294,403	\$ 3,499,323
5190 Penalty and Interest on Taxes	81,047	-	-	81,047
5200 Licenses and Permits	37,735	-	-	37,735
5300 Intergovernmental Revenue and Grants	48,533	2,937,439	502,822	3,488,794
5400 Charges for Services	1,339,944	-	615,397	1,955,341
5610 Investment Earnings	-	-	166	166
5700 Other Revenue	103,919	-	-	103,919
5020 Total Revenues	<u>4,816,098</u>	<u>2,937,439</u>	<u>1,412,788</u>	<u>9,166,325</u>
EXPENDITURES:				
Current:				
0100 General Government	2,116,153	-	9,185	2,125,338
0120 Judicial	562,664	-	2,151	564,815
0200 Public Safety	756,559	-	57,435	813,994
0300 Public Works	428,039	-	928,832	1,356,871
0500 Culture and Recreation	159,325	-	-	159,325
Debt Service:				
0710 Principal on Debt	63,916	-	274,205	338,121
0720 Interest on Debt	95	-	15,941	16,036
0790 Other Debt Service	-	23,000	-	23,000
Capital Outlay:				
0800 Capital Outlay	35,033	3,263,821	-	3,298,854
6030 Total Expenditures	<u>4,121,784</u>	<u>3,286,821</u>	<u>1,287,749</u>	<u>8,696,354</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>694,314</u>	<u>(349,382)</u>	<u>125,039</u>	<u>469,971</u>
OTHER FINANCING SOURCES (USES):				
7913 Proceeds from Tax Notes	-	418,000	-	418,000
7914 Noncurrent Loans	-	-	300,000	300,000
7915 Transfers In	6,317	-	25,000	31,317
8911 Transfers Out (Use)	(25,000)	-	-	(25,000)
7080 Total Other Financing Sources (Uses)	<u>(18,683)</u>	<u>418,000</u>	<u>325,000</u>	<u>724,317</u>
1200 Net Change in Fund Balances	675,631	68,618	450,039	1,194,288
0100 Fund Balance - October 1 (Beginning)	<u>1,849,086</u>	<u>-</u>	<u>428,873</u>	<u>2,277,959</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 2,524,717</u>	<u>\$ 68,618</u>	<u>\$ 878,912</u>	<u>\$ 3,472,247</u>

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

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

Total Net Change in Fund Balances - Governmental Funds	\$	1,194,288
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2019 capital outlays and debt principal payments is to increase the change in net position.		3,172,996
GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/2018 caused the change in the ending net position to increase in the amount of \$123,151. Contributions made before the measurement date but during the fiscal year 2019 were also de-expended and recorded as a reduction in the net pension liability for the County. This also caused an increase in the change in net position in the amount of \$47,552. The County recorded its pension expense during the measurement period as part of the net pension liability. The amounts expensed for fiscal year 2019 were \$390,922. The impact of all these is to decrease the change in net position by \$220,219.		(220,219)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease the change in net position.		(687,525)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(710,168)
GASB 75 required that certain plan expenditures be de-expended and recorded as a deferred outflow of resources. Benefit payments made during the measurement date and during the fiscal year were also expended and recorded as a reduction in the total OPEB liability. This caused a decrease in the net position totaling \$23,415. Finally, the County's OPEB expense for the plan had to be recorded. This expense increased the change in net position \$481,897. The net result is a decrease in the change in net position in the amount of \$458,482.		(458,482)
Change in Net Position of Governmental Activities	\$	2,290,890

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

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PROPRIETARY FUND FINANCIAL STATEMENTS

PRESIDIO COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business Type Activities
	Jail Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 949,777
Accounts Receivable - Net	73
Due from Other Governments	78,454
Total Current Assets	<u>1,028,304</u>
Noncurrent Assets:	
Capital Assets:	
Land	933
Buildings & Improvements	5,930,455
Furniture and Equipment	355,105
Accumulated Depreciation - Capital Assets	(4,127,574)
Construction in Progress	983,315
Total Noncurrent Assets	<u>3,142,234</u>
Total Assets	<u>4,170,538</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	196,677
Compensated Absences Payable	6,031
Accrued Interest Payable	5,025
Notes Payable - Current	98,697
Total Current Liabilities	<u>306,430</u>
Noncurrent Liabilities:	
Notes Payable - Noncurrent	207,096
Compensated Absences Payable - Noncurrent	18,092
Total Noncurrent Liabilities	<u>225,188</u>
Total Liabilities	<u>531,618</u>
NET POSITION	
Net Investment in Capital Assets	2,836,441
Unrestricted	802,479
Total Net Position	<u>\$ 3,638,920</u>

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

PRESIDIO COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

EXHIBIT D-2

	Business-Type Activities
	Jail Fund
OPERATING REVENUES:	
Charges for Services	\$ 536,203
Total Operating Revenues	536,203
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	540,950
Personnel Services - Employee Benefits	171,346
Purchased Professional & Technical Services	7,911
Other Operating Costs	263,682
Supplies	33,975
Depreciation	271,121
Total Operating Expenses	1,288,985
Operating Income (Loss)	(752,782)
NONOPERATING REVENUES (EXPENSES):	
Interest Expense - Non-Operating	(11,407)
Total NonOperating Revenue (Expenses)	(11,407)
Income (Loss) Before Transfers	(764,189)
Transfers Out (Use)	(6,317)
Change in Net Position	(770,506)
Total Net Position - October 1 (Beginning)	4,409,426
Total Net Position - September 30 (Ending)	\$ 3,638,920

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

PRESIDIO COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities
	Jail Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 457,676
Cash Payments to Employees for Services	(732,691)
Cash Payments for Suppliers	(17,523)
Cash Payments for Other Operating Expenses	(263,682)
Net Cash Provided by (Used for) Operating Activities	<u>(556,220)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Increase (Decrease) in Due to Other Funds	(292,519)
Operating Transfer Out	(6,317)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>(298,836)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(775,247)
Principal Payments on Debt	(95,597)
Interest Payment on Equipment	(13,013)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(883,857)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,738,913)
Cash and Cash Equivalents at the Beginning of the Year	<u>2,688,690</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 949,777</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss)	\$ (752,782)
Adjustments to Reconcile Operating Income To Net Cash Provided by (Used For) Operating Activities:	
Depreciation	271,121
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	(73)
Decrease (Increase) in Rec. from Other Governments	(78,454)
Increase (Decrease) in Accounts Payable	24,363
Increase (Decrease) in Compensated Absences Pay.	(20,395)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (556,220)</u>

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

FIDUCIARY FUND FINANCIAL STATEMENT

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

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 604,117
Accounts Receivable Net	156
Total Assets	<u>\$ 604,273</u>
LIABILITIES	
Due to Others	<u>\$ 604,273</u>
Total Liabilities	<u>\$ 604,273</u>

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

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The County of Presidio, Texas (County) is incorporated as a County Corporation under the laws of the state of Texas. The County operates under a charter that establishes management by an elected County Judge and a Commissioners' Court made of four elected members. The County provides the following services: judicial, public safety (sheriff, constable, emergency management, DPS, and dispatch), public works (airport and road and bridge), culture and recreation, and the general administrative services.

The County is located in the Trans-Pecos region of west Texas; it is approximately 3,856 square miles in size with a population around 7,800 people. It is the fourth-largest county in Texas by area. Marfa, Texas, is the county seat.

This summary of significant accounting policies of Presidio County, Texas is presented to assist in understanding the County's financial statements. The financial statements and notes are representations of the County's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America as applicable to governments and have been consistently applied in the preparation of the financial statements.

Reporting Entity

Because the Commissioners' Court is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the County is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB").

The decisions to include or exclude a potential component unit in the reporting entity were made by applying standards contained in GAAP. The most primary standard for including or excluding a potential component unit is whether it is financially dependent on the reporting entity. The fiscal dependency criterion also requires that a financial benefit or burden relationship be present in order for a potential component unit to be included in the financial reporting entity. Other manifestations of the ability to exercise oversight responsibility include, but certainly are not limited to, the selection of the governing authority, the designation of management, the ability to materially influence operations and accountability for fiscal matters. The second standard used to evaluate potential component units is the scope of public services. Application of this standard entails considering whether the activity benefits the County, or whether the activity is conducted within the geographic boundaries of the County and is generally available to its citizens. The third standard involved in evaluating whether potential component units are included or excluded from the reporting entity is the existence of special financing relationships, regardless of whether the County is able to exercise oversight responsibilities.

Based upon the above standards, the County does not have any component units.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the County as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and the County's general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: net invested in capital assets; restricted net position; and unrestricted net position.

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. For pensions, this outflow results from pension plan contributions made after the measurement date of the net pension asset and the results of differences between expected and actual economic experiences. The deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the next fiscal year. The other pension related deferred outflows will be amortized over a systematic and rational method over a closed period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For pensions, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a systematic and rational method over a closed period.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to or reductions from TCDRS' fiduciary net position. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services which includes fees, fines, and forfeitures, and other charges to users of the County's services; (2) operating grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds.

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to or due from on the government-wide Statement of Net Position.

The fund financial statements report on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for County operations, they are not included in the government-wide statements. The County considers some governmental funds as major and reports their financial condition and results of operations in a separate column.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary funds use this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor requirements are met.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The governmental fund financial statements are reported using the current financial resources measurements focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, special assessments, sales taxes, and interests associated with the current fiscal period are all considered to be susceptible to accruals and so have been recognized as revenues of the current fiscal period. Expenditures-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the County's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the County's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of County facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Unavailable revenue from property taxes arises only under the modified accrual basis of accounting. The governmental funds report this unavailable revenue as a deferred inflow of resources and recognize revenue in the period that the amounts become available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the County to refund all or part of the unused amount.

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the fund Statement of Net Position. Net position is segregated into net investment in capital assets, restricted, and unrestricted.

The County reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The County does not currently employ indirect cost allocation systems.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include activities that have the characteristics of an exchange transaction, such as a) sales and services and b) contracts and grants. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as a) investment income and b) miscellaneous.

Operating expenses include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expenses; b) utilities, supplies, and other services; c) professional fees; d) repairs and maintenance; and e) depreciation expenses related to County's capital assets and long-term debt. Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital asset related debt that are defined as nonoperating expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The net position of the County is reported in three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Restricted net assets results from constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments and/or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

The County is required to present certain governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following:

1. The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
2. The Capital Projects Fund accounts for the Texas Department Of Transportation Airport Project Participation Agreement. The grant funds are for improvements at the Marfa Municipal Airport.

The County reports the following major enterprise fund:

County Jail - The County Jail is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent of the governing body is that the costs (expenses, including depreciation) of providing jail services to other governmental entities on a continuing basis be financed or recovered primarily through user charges.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the County reports the following fund types:

Governmental Funds:

1. Special Revenue Funds - The County accounts for resources restricted for specific purposes by a grantor in a special revenue fund. Most Federal and State grants are accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. Debt Service Fund - The County accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

The County reports the following fiduciary funds:

Agency Funds - The County accounts for resources held for others in a custodial capacity in agency funds. Assets equal liabilities and this fund does not include measurements or results of operations. The County's agency funds are the County Clerk Agency Funds, the District Clerk Agency Funds, and the Inmate Trust Funds.

Assets, Deferred Resources, Liabilities and Net Position or Fund Balance

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. Restricted cash represents certain unexpended long-term debt funding restricted for specific capital projects and special revenue projects. Both unrestricted and restricted cash are included in the Statement of Cash Flows, if applicable. For purposes of the statement of cash flows for proprietary funds, the County considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

The funds of the County must be deposited and invested under the terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the County's agent bank in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

The County is required by Governmental Code Chapter 2256, **Public Funds Investment Act** (PFIA), to adopt, implement, and publicize an investment policy. That policy must address safety of principal and liquidity, portfolio diversification, allowable investments, acceptable risk levels, expected rates of return, maximum allowable stated maturity of portfolio investments, maximum average dollar weighted maturity allowed based on the stated maturity date for the portfolio, investment staff quality and capabilities, and bid solicitation preferences for Certificate of Deposit. Statutes authorize the County to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. The County has not yet adopted an investment policy since it does not currently have any investments and as such, is not subject to this law.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Although a formal policy has not been adopted, the County follows these policies and contractual provisions governing deposits for the County:

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the County's will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

Interest Rate Risk - Deposits

The County is not exposed to interest rate risk.

Credit Risk - Deposits

The County is not exposed to credit risk.

Concentration of Credit Risk - Deposits

The County is not exposed to concentration of credit risk.

Foreign Currency Risk - Deposits

The risk that changes in exchange rates will adversely affect deposits. The County does not have any deposits in foreign currency and as such, is not exposed to foreign currency risk.

Interfund Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefitting funds and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Receivables: All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded as revenue when levied net of estimated refunds and uncollectible amounts.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes: The County's annual ad valorem property tax is required to be levied by October 1st, or as soon thereafter as practicable, on the assessed value listed as of the prior January 1 for all real and certain personal property. Taxes are due on January 31st of the year following the year of the levy before penalties and interest are assessed.

All taxes are assessed based on 100% of the appraised value of the property. The State Constitution and County Charter set a maximum tax rate per \$100 valuation of \$.80. Although there is no debt limit or margin set by State Law or County Charter, the Attorney General of Texas does not approve more than \$.40 of overall tax to be dedicated to secure debt service. The tax rate during 2019 was \$0.61475 per \$100 valuation.

The Texas Property Tax Code (Code), with certain exceptions, exempts intangible personal property, household goods, and family-owned automobiles from taxation. In addition, the Code provides for the establishment of county-wide appraisal districts. Since January 1, 1983, the appraisal of property within the County has been the responsibility of the county-wide appraisal district.

The appraisal district is required under the Code to appraise all taxable property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of real property within the appraisal district must be reviewed every four years; however, the County may, at its own expense, require annual reviews of appraised values. The County may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The County Tax Office collects County property taxes for the County and five other local governments. At the end of the year, tax receivables represent delinquent and current year uncollected taxes. Major tax payments are received December through April and are recognized as revenue in the year received. Delinquent tax payments, received throughout the year, are recognized as revenue in the year received.

Inventories: The County reports fuel for the airport at cost.

Capital Assets : Capital assets are reported in the government-wide financial statements and the enterprise fund. Capital assets are defined by the County as assets with an estimated useful life in excess of one year and \$500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of the receipt. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-40 years
Building restoration	30 years
Machinery and equipment	3-15 years
Improvements	10-30 years
Other Infrastructure	10-50 years

GASB Statement No. 34 requires the County to report and depreciate new infrastructure assets. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), etc. These infrastructure assets are not expected to represent a significant class of assets in the County since the County has no significant improved roads or bridges. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2008. The County elected in prior years to implement the general provisions of GASB Statement No. 34 and implement the infrastructure provisions for infrastructure investments occurring subsequent to January 1, 2002. The most significant infrastructure assets capitalized to date include the airport runway reconstruction and improvements and street and levee improvements.

Compensated Absences - The County accrues accumulated unpaid vacation leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The timing of the payments of accrued vacation unused at year end is determinable and therefore is recorded for governmental and proprietary funds statements. As of September 30, 2019, total accrued vacation and compensated absences was \$138,367. Sick leave benefits accrue based on years of service and are not required to be paid upon an employee's termination.

Long-term Obligations: In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. For bonds issued after GASB 34 was implemented, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. For fund financial reporting, bond premiums and discounts are recognized in the period the bonds are issued. Bond proceeds are reported as other financing source, net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Deferred inflow of resources: In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The government has two types of these items, which arise only under a modified accrual basis of accounting, that qualifies for reporting in this category. The first one is unavailable revenue related to property taxes. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The County has recorded \$1,072,969 of unavailable revenue related to property taxes. The other one is related to payments from another government for services provided.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position: Net position is classified and displayed in three components:

- a. Net investment in capital assets: Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position: Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position: Consists of the net amount of assets, liabilities, deferred outflows of resources, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the County considers restricted resources to have been spent first.

Fund Balance Classification Policies and Procedures: If applicable, the County reports the following fund balance categories to make the nature and extent of the constraints placed on government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity. At September 30, 2019, the County had \$140,658 in nonspendable fund balance related to inventories and prepaids.
- Restricted fund balance classification includes funds with constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following amounts are classified as restricted as of September 30, 2019:

Various programs	\$ 632,747
Retirement of Debt	<u>188,696</u>
Total	<u>\$ 821,443</u>

- Committed fund balances include amounts that can only be used for specific purposes pursuant to constraints imposed by court resolution/formal action of the commissioners' court which is the government's highest level of decision-making authority. The County's highest level of decision-making authority is Commissioner's Court. These amounts can only be re-allocated by the same formal action that was taken to originally commit those amounts. At September 30, 2019, the County did not have any committed fund balance.
- Assigned fund balances include amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the commissioners' court action or (b) by a county judge who is the official delegated by the commissioners' court with the authority to assign amounts to be used for specific purposes. At September 30, 2019, the County did not have any assigned fund balance.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.
- Minimum Fund Balance Policies - The County does not have a minimum fund balance policy.
- Encumbrances - The County does not encumber or reserve an appropriation for future expenditures. Appropriations lapse at fiscal year end and must be appropriated in the next fiscal year budget.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amount to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Commissioner's Court has provided otherwise in its budget or its commitment or assignment actions.

Budgets and Budgetary Accounting: The County is required by the Texas Constitution to adopt an annual balanced budget. The County officially adopts the annual budget ordinance and all project ordinances and has the authority to amend such ordinances. All budgets are prepared on the modified accrual basis of accounting as required by Texas Law.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The significant estimates presented in the County's financial statements are the allowances for uncollectible receivables and the remaining useful lives on capital assets.

Pensions: For purposes of measuring the net pension asset or net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County and District Retirement System (TCDRS) and additions to/deductions from TCERS have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

New Accounting Pronouncements: The County implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which improves disclosures related to debt, including direct borrowings and direct placements. The County's statements as of September 30, 2019 are presented in accordance with the guidance provided by this Statement.

The County implemented GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides temporary relief to governments and other stakeholders in light of the COVID 19 pandemic. The objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposit Risk - As of September 30, 2019, the carrying amount of the County's deposits held in one depository bank was \$ 4,724,572 for the primary government and \$604,117 for trust and agency funds and the balances per bank totaled \$5,620,890 with differences being attributed to items in transit. Of the bank balances at year end, \$250,000 of the County's deposits were insured by the Federal Deposit Insurance Corporation. The bank has also pledged bank-owned securities with market values of \$8,776,074 at September 30, 2019 to secure deposits in excess of FDIC insurance. Deposits secured by securities pledge to the County but held by a third party agent of the bank, in the County's name are considered unsecured for financial reporting purposes.

- Pooled Cash-The County operates three pooled accounts, a primary checking account, a payroll checking account and an interest-bearing money market account, to accomplish cash transactions for a number of funds and sub-funds.
- Commissary Funds - The County operates one commissary cash account for the jail facility. The bank balance at September 30, 2019 is \$ 82,544.
- Inmate Trust Funds - The County maintains four bank accounts in which they deposit inmate trust funds. The bank balance at September 30, 2019 is \$44,988.
- Agency Trust Funds - The District Clerk maintains fifteen bank accounts as agency trust funds. The bank balances at September 30, 2019 is \$559,129.

NOTE 3 - RECEIVABLES

Receivables consist of the following at September 30, 2019:

	Gross	Allowance for Uncollectible Accounts	Net
Governmental Activities			
Taxes	\$ 1,192,188	\$ (119,219)	\$ 1,072,969
Other Governments	328,066	-	328,066
Others	15,577	-	15,577
Total Governmental Activities	<u>\$ 1,535,831</u>	<u>\$ (119,219)</u>	<u>\$ 1,416,612</u>

	Gross	Allowance for Uncollectible Accounts	Net
Business - Type Activities			
Other Governments	\$ 78,454	\$ -	\$ 78,454
Others	73	-	73
Total Business - Type Activities	<u>\$ 78,527</u>	<u>\$ -</u>	<u>\$ 78,527</u>

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 4 - INTERFUND BALANCES AND TRANSFERS

Interfund balance are the result of normal operations and are cleared out periodically. Management intends to pay out these balances within one year. Interfund balance at September 30, 2019 consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund:		
Other Funds - Special Revenue	\$ 219,537	\$ 65,800
Other Funds - Debt Service	26,078	-
General Fund	25,288	25,288
Total General Fund	<u>270,903</u>	<u>91,088</u>
Capital Project:		
Other Funds - Capital Project	-	591
Other Funds:		
Capital Project	-	-
General Fund	66,391	245,615
Total Other Funds	<u>66,391</u>	<u>245,615</u>
Total	<u>\$ 337,294</u>	<u>\$ 337,294</u>

Interfund transfers generally fall within two categories: (1) transfers to cover debt service payments to comply with debt covenants, and (2) transfers to charge other funds fees or a permanent reallocation of resources. During the year ended September 30, 2019, the enterprise fund (Jail Fund) transferred \$6,317 to the general fund for payment on the lease of the telephone system used by the enterprise fund. In addition, the general fund transferred \$25,000 to the airport fund to help cover the loan payment.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital asset for the governmental activities for the year ended September 30, 2019 follows:

	Restated Balance at 9/30/2018	Additions	Deletions	Balance at 9/30/2019
Governmental				
Capital assets, not depreciated:				
Land	\$ 1,027,773	\$ -	\$ (458,714)	\$ 569,059
Construction in Progress	14,879	3,263,821	-	3,278,700
Capital assets, depreciated:				
Buildings and Improvements	6,894,860	-	(14,590)	6,880,270
Infrastructure	6,263,435	-	-	6,263,435
Machinery and Equipment	6,328,601	38,049	(2,586)	6,364,064
Totals at Historical Cost	20,529,548	3,301,870	(475,890)	23,355,528
Less Accumulated Depreciation				
Accumulated Depreciation	(11,909,869)	(687,525)	12,498	(12,584,896)
Total Accumulated Depreciation	(11,909,869)	(687,525)	12,498	(12,584,896)
Governmental Capital Assets, Net	\$ 8,619,679	\$ 2,614,345	\$ (463,392)	\$ 10,770,632

Depreciation expense was charged to the functions of the governmental activities of the primary of the primary government as follows:

Governmental Activities:	
General Government	\$ 192,160
Judicial	20,098
Public Safety	154,634
Public Works	231,010
Culture and Recreation	89,623
Total depreciation expense-governmental activities	<u>\$ 687,525</u>

During the year ended September 30, 2019, the County auctioned off several tracts of land which resulted in a loss on disposal of capital assets.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 5 - CAPITAL ASSETS (Continued)

A summary of changes in capital assets for the business-type activity for the year ended September 30, 2019 follows:

	Restated Balance at 9/30/2018	Additions	Deletions	Balance at 9/30/2019
Business -type activity				
Capital assets, not depreciated:				
Land	\$ 933	\$ -	\$ -	\$ 933
Construction in Progress	673,272	310,043	-	983,315
Capital assets, depreciated:				
Buildings and Improvements	5,930,455	-	-	5,930,455
Machinery and Equipment	195,038	163,128	(3,061)	355,105
Totals at Historical Cost	<u>6,799,698</u>	<u>473,171</u>	<u>(3,061)</u>	<u>7,269,808</u>
Less Accumulated Depreciation				
Accumulated Depreciation	<u>(3,860,477)</u>	<u>(271,121)</u>	<u>4,024</u>	<u>(4,127,574)</u>
Total Accumulated Depreciation	<u>(3,860,477)</u>	<u>(271,121)</u>	<u>4,024</u>	<u>(4,127,574)</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,939,221</u>	<u>\$ 202,050</u>	<u>\$ 963</u>	<u>\$ 3,142,234</u>

Depreciation expense for the 2019 fiscal year of the business-type activities was \$271,121.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2019:

Funded by:	Beginning Balance 10/1/2018	Additions	Reduction	Ending Balance 9/30/2019	Due Within One Year	
Governmental Activities:						
<u>Bonds, Certificates of Obligation, Leases, and Loans:</u>						
General Obligation Refunding Bonds Series 2012 - Private Placement	Debt Service Fund	\$ 483,000	\$ -	\$ (264,000)	\$ 219,000	\$ 219,000
Capital Leases TWDA Forgivable Loan - LF1000950	Airport and General Fund	281,779	-	(74,121)	207,658	63,218
Limited Tax Notes , Series 2018	- Airport Fund	-	300,000	-	300,000	-
		-	418,000	-	418,000	53,000
Total Bonds, Certificates of Obligation, Leases and Loans		<u>764,779</u>	<u>718,000</u>	<u>(338,121)</u>	<u>1,144,658</u>	<u>335,218</u>
<u>Other Liabilities</u>						
Compensated absences		<u>131,518</u>	<u>78,148</u>	<u>(95,422)</u>	<u>114,244</u>	<u>28,561</u>
Total Other Liabilities		<u>131,518</u>	<u>78,148</u>	<u>(95,422)</u>	<u>114,244</u>	<u>28,561</u>
<i>Total Governmental Activities</i>		<u>\$ 896,297</u>	<u>\$ 796,148</u>	<u>\$ (433,543)</u>	<u>\$ 1,258,902</u>	<u>\$ 363,779</u>

General Obligation Refunding Bonds Series 2012

On December 1, 2011 the County retired and refinanced the Certificates of Obligation Series 2000 and Series 2001 with Series 2012 in the amount of \$1,879,000 with an interest rate of 2.3% that matures on December 15, 2019.

Capital Leases

On August 2018, the County entered into a capital lease with Big Bend Telephone Company for \$267,587. The lease is to finance a telephone system. The first lease payment was made on August 2018 and final payment is due in June 2023. As of September 30,2019, the accumulated depreciation of the telephone system was \$44,598.

The second lease is for voting machines in the amount of \$28,831. As of September 30, 2019 the accumulated depreciation of the voting machines was \$12,013. The lease term is for three years with the final payment due in September 2020.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 - LONG-TERM DEBT (Continued)

TWDB Forgivable Loan LF1000950

In April 2019, the County and Texas Water Development Board (TWDB) executed a loan forgiveness agreement in the amount of \$300,000, funded by the Drinking Water State Revolving Fund to finance water system improvements for the Candelaria Water Supply Corporation - Arsenic Removal Project. Loan proceeds are maintained in escrow as required by the loan forgiveness agreement. The loan is considered forgiven as the TWDB releases the money. No amounts were released and forgiven during the year ended September 30, 2019.

Limited Tax Notes, Series 2018

In December 2018, the County authorized tax notes in the amount of \$418,000 to pay for improvements to the county-owned airport and pay the costs of issuing the notes. The interest rate is 3.85% and matures December 1, 2025.

The principal and interest maturities of long-term debt for Governmental Activities as of September 30, 2019 are as follows:

Governmental Activities: Fiscal Year Ending September 30,	Private Placement Principal	Private Placement Interest	Limited Tax Note Principal	Limited Tax Note Interest	Capital Lease Principal	Capital Lease Interest	Total Requirements
2020	\$ 219,000	\$ 2,519	\$ 53,000	\$ 15,073	\$ 63,128	\$ 95	\$ 352,815
2021	-	-	55,000	12,994	53,517	-	121,511
2022	-	-	57,000	10,838	53,517	-	121,355
2023	-	-	60,000	8,586	37,496	-	106,082
2024	-	-	62,000	6,237	-	-	68,237
2025-2026	-	-	131,000	5,101	-	-	136,101
Total Governmental Activities	\$ 219,000	\$ 2,519	\$ 418,000	\$ 58,829	\$ 207,658	\$ 95	\$ 906,101

Changes in long-term debt relative to business type activity follows:

Enterprise Activities: <u>Other Liabilities</u>	Balance at 10/1/2018	Issued	Retired	Balance at 9/30/2019	Due Within One Year
Public Property Finance - Contract No. 8132	\$ 401,390	\$ -	\$ (95,597)	\$ 305,793	\$ 98,697
Compensated absences	44,518	37,348	(57,743)	24,123	6,031
Total Enterprise Activities	\$ 445,908	\$ 37,348	\$ (153,340)	\$ 329,916	\$ 104,728

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 6 - LONG-TERM DEBT (Continued)

Public Property Finance - Contract No. 8132 - On March 29, 2018, the County obtained a loan with Government Capital Corporation for renovations at the Jail in the amount of \$510,000 with an interest rate of 3.24% that matures on March, 29, 2022.

The principal and interest maturities of long-term debt for Business Type Activity as of September 30, 2019 are as follows:

Business Type Activity: Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2020	\$ 98,697	\$ 9,914	\$ 108,611
2021	101,896	6,714	108,610
2022	105,200	3,411	108,611
Total Business Type Activity	<u>\$ 305,793</u>	<u>\$ 20,039</u>	<u>\$ 325,832</u>

NOTE 7 - PENSION PLAN

Plan Description

Presidio County provides a pension benefit for all of its full-time and part-time non-temporary employees (regardless of the number of hours they work in a year) through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). Employees in a temporary position are not eligible for membership. TCDRS is an agency created by the State of Texas and administered in accordance with the TCDRS Act, Title 8, Subtitle F, Texas Government Code (the TCDRS Act). The Board of Trustees of the TCDRS is responsible for the administration of the statewide agent multiple-employer public retirement system consisting of 760 employers. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or online at: <https://www.tcdrs.org/Employer/EmployerServices/Pages/Publications.asp>

Benefits Provided

TCDRS provides retirement, disability, and survivor benefits. The plan provisions are adopted by the governing body of Presidio County. They may be amended as of January 1 of each year, but must remain in conformity and within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Benefit amounts are determined by the sum of the employee’s contribution to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that resulting benefits are expected to be adequately financed by the County’s commitment to contribute. By law, the employee accounts earn 7% interest on beginning of year balances annually. At retirement, disability, or death, the account is matched at an employer set percentage (current match is 200%) and is then converted to an annuity.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 7 - PENSION PLAN (Continued)

The employees covered by the benefit terms at the December 31, 2018 valuation and measurement date were as follows:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	141
Active employees	94
Total covered employees	<u>267</u>

Members can retire at age sixty (60) and above with eight (8) or more years of service, with thirty (30) years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight (8) years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. At the time of retirement, members may elect to receive a partial lump sum payment of up to 100% of their personal deposits and interest and still receive monthly benefit payments. However, the monthly benefit payment will be lower than if the member had not opted for the lump-sum payment. The monthly benefit is calculated using the remaining personal deposits and interest, if any, and the employer matching dollars prior to electing to receive the partial lump-sum payment. There are no automatic post-employment benefit changes, including automatic COLAs. Each year, the County may elect an ad hoc COLA for its retirees.

Contributions

The contribution rates for employees is either 4%, 5%, 6%, or 7% of compensation, as adopted by the County's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. 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.

Under the TCDRS Act, the employer is legally required to make 100% of the contribution specified in the funding policy on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

The contribution rate payable by the employee members was six percent (6%) for both calendar years 2018 and 2019, as adopted by the governing body of the County. The County contributed the actuarially determined rates of 6.48% and 6.75% for calendar years 2018 and 2019, respectively. The employee contribution rate and the employer contribution rate may be amended by the governing body of the employer within the options available under the TCDRS Act. The County's contributions to TCDRS for the year ended September 30, 2019 were \$170,703 and were equal to the required contributions.

Net Pension Liability

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

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 7 - PENSION PLAN (Continued)

Actuarial Assumptions

Updated mortality assumptions were adopted in 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2016, except where required to be different by GASB 68. The total pension liability in the December 31, 2018 actuarial valuation was determined using the actuarial assumptions for inflation of 2.75% and investment rate of return of 8.0%. The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. Other assumptions include employer specific economic assumptions related to growth in membership of 0% and 3.25% in payroll growth. The payroll growth assumption is for the aggregate covered payroll of the employer. The source of the mortality assumptions is as follows:

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members.	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 7 - PENSION PLAN (Continued)

Asset Class	Benchmark	Target Allocation¹	Geometric Real Rate of Return (Expected minus)²
US Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ³	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities-Developed Markets	MSCI World Ex USA (net) Index	10.00%	5.40%
International Equities-Emerging Markets	MSCI Emerging Markets (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁴	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁵	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

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

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70%, per Cliffwater's 2019 capital market assumptions.

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

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

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

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 7 - PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return and was applied to all periods of projected benefit payments to determine the total pension liability.

	Changes in Net Pension Liability / (Asset)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2017	\$ 7,232,703	\$ 7,528,627	\$ (295,924)
Changes for the year:			
Service cost	329,929	-	329,929
Interest on total pension liability ¹	598,693	-	598,693
Effect of plan changes ²	-	-	-
Effect of economic/demographic gains or losses	6,617	-	6,617
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(58,626)	(58,626)	-
Benefit payments	(290,909)	(290,909)	-
Administrative expenses	-	(5,910)	5,910
Member contributions	-	156,658	(156,658)
Net investment income	-	(140,521)	140,521
Employer contributions	-	169,191	(169,191)
Other ³	-	50	(50)
Balances as of December 31, 2018	<u>\$ 7,818,407</u>	<u>\$ 7,358,560</u>	<u>\$ 459,847</u>

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

² No plan changes value.

³ Relates to allocation of system-wide items.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 7 - PENSION PLAN (Continued)

Sensitivity Analysis

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

	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	\$ 8,837,549	\$ 7,818,407	\$ 6,965,957
Fiduciary net position	7,358,560	7,358,560	7,358,560
Net pension liability/(asset)	\$ 1,478,989	\$ 459,847	\$ (392,603)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report as mentioned above in the Plan Description section.

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

For the year ended September 30, 2019, the County recognized pension expense in the amount of \$390,922. At year-end, the County also reported the following deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,963	\$ 4,928
Changes in assumptions	28,135	-
Net difference between projected and actual earnings	476,335	-
Contributions made subsequent to the measurement date	123,152	-
Total	\$ 632,585	\$ 4,928

The \$123,152 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 ended September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2020	\$ 200,628
2021	87,266
2022	66,776
2023	149,835
2024	-
Thereafter	-
Total	<u>504,505</u>

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 7 - PENSION PLAN (Continued)

Payable to the Pension Plan

At September 30, 2019, the County reported a payable of \$24,658 for the outstanding amount of required contributions to the pension plan for the year ended September 30, 2019. Of the total payable, \$11,615 is for employee contributions.

Changes in Net Pension Liability / (Asset)

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability / (Asset)	\$ (295,924)	\$ 169,178	\$ 586,593	\$ 459,847

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description: The County sponsors and administers a single-employer defined benefit healthcare plan. Commissioners Court has the authority to establish and amend the requirements of the plan. No assets are accumulated in a trust for the sole purpose of paying benefits. Therefore, the plan is considered to be an unfunded plan that is not administered through a trust as defined by the GASB. Due to this treatment, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Benefits: If eligible, the County pays 100% of the monthly premium for elected medical and dental insurance coverage. All active employees who retire directly from the County and meet eligibility criteria may participate and the benefits continue for the life of the retiree. The County pays the full cost of these elected benefits and also continue for the life of the retiree. The following table shows the number of retirees covered during the period ended September 30, 2019:

Inactive employees currently receiving benefits	2
Active employees	57

Eligibility: To be eligible under the Plan, the employee must be a county official or employee and meet the earlier of a) 20 years of service without regard to age, or b) the sum of age plus service equals 75. Anyone employed prior to December 31, 1990 will qualify for these benefits if they complete 12 years of service.

Funding Policy: The County employs a pay-as-you-go financing method. Benefits are paid as they become due. The plan administered by the Texas Association of Counties that includes pharmacy benefits for its employees and retirees. There were no automatic COLAs or ad hoc COLAs for the plan year ended September 30, 2019. The County's contributions which represent benefit payments to the plan for the period ended September 30, 2019 were \$23,415.

Total OPEB Liability: The County's total OPEB liability of \$3,476,261 was measured as of September 30, 2019 and was determined by an actuarial valuation as of that date.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Methods and Assumptions: The total OPEB liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions. There was no assumption for future hires:

Actuarial Valuation Date	September 30, 2019
Actuarial Cost Method	Individual Entry Age Normal Cost Method-Level Percentage of Projected Salary
Discount Rate	2.66% (-0.34% real rate of return plus 3.00% inflation)
Healthcare Cost Trend	Level 5.00% for medical and 3.00% for dental
Mortality	RPH-2014 Total Table with Projection MP-2019
Turnover	Rates vary based on gender, age and select and ultimate at 15 years. Rates based on the TCDRS actuarial assumptions from the 2017 retirement plan valuation report.
Disability	None assumed
Salary Scale	3.50%

Discount Rate: The discount rate was selected by reviewing the recent published Bond Buyer GO-20 bond index.

Changes in the Total OPEB Liability

Total OPEB Liability beginning of measurement year, October 1, 2018	<u>\$ 3,017,779</u>
Changes for the year:	
Service Cost	391,521
Interest Cost	90,376
Changes of Benefit Terms	-
Differences between expected and actual experience	-
Changes in assumptions	-
Other Changes	-
Contributions-employer	-
Net investment income	-
Benefit payments	(23,415)
Administrative Expense	<u>-</u>
Net Changes	<u>458,482</u>
Total OPEB Liability end of measurement year - September 30, 2019	<u><u>\$ 3,476,261</u></u>

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 8 - POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Sensitivity Analysis of the Total OPEB liability to Changes in the Discount Rate Assumption:

The following presents the total OPEB liability of the County, calculated using the discount rate of 2.66%, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.66%) or 1 percentage point higher (3.66%) than the current rate:

	1% Decrease 1.66%	Current Discount Rate 2.66%	1% Increase 3.66%
Total OPEB liability	\$ 4,241,919	\$ 3,476,261	\$ 2,886,884

Sensitivity Analysis of the Total OPEB liability to Changes in the Healthcare Cost Trend Rate Assumption:

The following presents the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower (4.00%) or one percent higher (6.00%):

	1% Decrease 4.00%	Current Healthcare Cost Trend Rate 5.00%	1% Increase 6.00%
Total OPEB liability	\$ 2,805,222	\$ 3,476,261	\$ 4,385,275

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the period ended September 30, 2019, the County recognized OPEB expense of \$481,897. At September 30, 2019, the County did not have any deferred outflows and deferred inflows of resources related to OPEB to report.

Changes in Total OPEB Liability:

	Beginning Balance, October 1, 2018 (Measurement Year)	Additions	Reductions	Ending Balance, September 30, 2019 (Measurement Year)
Total OPEB Liability	\$ 3,017,779	\$ 481,897	\$ (23,415)	\$ 3,476,261

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 9 - TAX ABATEMENTS

The County may enter into property tax abatement agreements with local businesses under the state Property Redevelopment and Tax Abatement Act, Texas Tax Code Chapter 312. Under the Act, the commissioners court of a county may designate an area of the county as a reinvestment zone if it finds that the designation would contribute to the economic development of the county. The commissioners court may execute a tax abatement agreement with the owner of taxable real property or tangible personal property located in the reinvestment zone to exempt from taxation all or a portion of the value of the real and/or personal property. The abatements may be granted to businesses for new capital investment (value of property subject to Presidio County Ad Valorem taxation). The new capital investment will be subject to no absolute minimum but there must be substantial capital investment made by any company in order to participate in the Economic Development Program. Consideration of proposal for incentives under this program shall be granted only for projects where no specific development-related action has taken place prior to such consideration. The intent of the program is to attract new investment and development to Presidio County.

The County has one property tax abatement agreement as of September 30, 2019 under this program. No new tax abatement agreements were entered into during the year ended September 30, 2019. The following is a summary of the terms:

Name	Requirement	Abatement Period	Specific Taxes Being Abated	Tax Payments Received During the Year Ended Sept. 30, 2019	Taxable Value
Bryan Solar, LLC	Construct a 10 megawatt solar power production facility on the Real Property and within Presidio County Reinvestment Zone No. 1	10 years	80% of all County ad valorem taxes on all real and personal property located on the Real Property and within Presidio County Reinvestment Zone No. 1 in Tax Year 2014 through Tax Year 2023	\$12,497 (net of early payment discount of \$386)	Tax Year 2018: Assessed Value \$10,478,240 Gross Taxes \$64,415 Tax Abatement \$51,532 Net Assessed Taxes \$12,883

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

Litigation

In the normal course of providing services to the public the County from time to time is subjected to various litigation claims. The County defends itself against such claims based on internal assessment of liability and risk. Litigation expenses and damages are recorded as expense in the period when services are rendered. As of September 30, 2019, management is not aware of any such claim which would have a material adverse effect on the financial statements, and therefore no liability was accrued at September 30, 2019.

Grants

The County participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charges to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

Equipment Operating Leases

The County maintains an operating lease for copier machines. The sixty month lease will expire in May 2023. Future minimum lease payments for fiscal years ending September 30 are as follows:

<u>Year ending September 30:</u>	<u>Future minimum lease payments</u>
2020	\$ 23,974
2021	23,974
2022	23,974
2023	<u>15,983</u>
Total	<u>\$ 87,905</u>

The copiers operating lease rent expense for fiscal year ended September 30, 2019 was \$23,974.

NOTE 11 - RISK MANAGEMENT

Presidio County is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The County maintains insurance policies through the Texas Association of Counties covering structural property, dishonesty, errors, and omissions, personal property and general liability. There have been no significant reductions in insurance coverage from prior years and settlements did not exceed insurance coverage for each of the past three years.

NOTE 12 - RELATED PARTY TRANSACTIONS

From time to time the County may enter into transactions with related parties through the normal course of business. If a member of the Commissioner’s Court has a conflict of interest, proper documentation is completed and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred for the year ended September 30, 2019.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 13 - LEASES

The County leases hangars and land at the airports under various long-term leases under the operating method of accounting for leases. Future minimum rental payments to be received on the leases as of September 30, 2019, for each of the next five years and in the aggregate thereafter is as follows:

<u>Year ending September 30:</u>	<u>Future Minimum Rental Payments</u>
2020	\$ 30,571
2021	28,723
2022	12,567
2023	4,545
2024 - 2028	21,394
2029 - 2033	10,697
2034 - 2036	<u>531</u>
Total	<u>\$ 109,028</u>

Total rental payments received for the year ended September 30, 2019 was \$40,971.

NOTE 14 - PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2019, the County implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This Statement establishes standards for recognizing and measuring liabilities, deferred outflow of resources, deferred inflows of resources, and expense/expenditures, along with required note disclosures and required supplementary information. The effect of implementing this standard was to reduce beginning net position by \$3,017,779.

NOTE 15 - SUBSEQUENT EVENTS

On January 8, 2020, the County entered into a lease purchase agreement for vehicles for the Road and Bridge Department in the amount of \$58,214.

Beginning March 2020, the COVID-19 virus was declared a global pandemic. It is ongoing through the date of when the financial statements were available to be issued. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or beyond as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

In preparing the financial statements the management of Presidio County, Texas has evaluated events and transactions for potential recognition or disclosure through January 7, 2021, the date the financial statements were available to be issued.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2019

NOTE 16 - NEW ACCOUNTING PRONOUNCEMENTS

The County has not completed the process of evaluating the impact on its financial position that will result from adopting the following Governmental Accounting Standards Board (GASB) Statements:

1. GASB No. 83, *Certain Asset Retirement Obligations*, effective for periods beginning after June 15, 2019. GASB No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.
2. GASB No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. GASB No. 84 establishes criteria for identifying fiduciary activities of all state and local governments.
3. GASB No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. GASB No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.
4. GASB No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. GASB No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period.
5. GASB No. 90, *Majority Equity Interest - an Amendment of GASB Statement No. 14 and No. 61*, effective for fiscal years beginning after December 15, 2019. GASB No. 90 modifies previous guidance for reporting a government's majority equity interest in legally separate organizations. This statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit.
6. GASB No. 91, *Conduit Debt Obligations*, effective for periods beginning after December 19, 2021. GASB No. 91 requires issuers to disclose information about their conduit debt obligations.

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REQUIRED SUPPLEMENTARY INFORMATION

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5110	Property Taxes	\$ 3,103,253	\$ 3,103,253	\$ 3,204,920	\$ 101,667
5190	Penalty and Interest on Taxes	75,000	75,000	81,047	6,047
5200	Licenses and Permits	35,000	35,000	37,735	2,735
5300	Intergovernmental Revenue and Grants	48,533	48,533	48,533	-
5400	Charges for Services	1,201,585	1,308,585	1,339,944	31,359
5700	Other Revenue	40,500	40,500	103,919	63,419
5020	Total Revenues	4,503,871	4,610,871	4,816,098	205,227
EXPENDITURES:					
Current:					
0100	General Government	2,293,163	2,556,962	2,116,153	440,809
0120	Judicial	620,214	608,128	562,664	45,464
0200	Public Safety	906,118	878,682	756,559	122,123
0300	Public Works	542,252	494,196	428,039	66,157
0500	Culture and Recreation	210,902	201,057	159,325	41,732
Debt Service:					
0710	Principal on Debt	63,460	63,460	63,916	(456)
0720	Interest on Debt	-	-	95	(95)
Capital Outlay:					
0800	Capital Outlay	70,953	131,485	35,033	96,452
6030	Total Expenditures	4,707,062	4,933,970	4,121,784	812,186
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(203,191)	(323,099)	694,314	1,017,413
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	6,317	6,317
8911	Transfers Out (Use)	(75,000)	(75,000)	(25,000)	50,000
7080	Total Other Financing Sources (Uses)	(75,000)	(75,000)	(18,683)	56,317
1200	Net Change	(278,191)	(398,099)	675,631	1,073,730
0100	Fund Balance - October 1 (Beginning)	1,849,086	1,849,086	1,849,086	-
3000	Fund Balance - September 30 (Ending)	\$ 1,570,895	\$ 1,450,987	\$ 2,524,717	\$ 1,073,730

PRESIDIO COUNTY, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Budgeting and Budgetary Control

The County adopts an annual operating budget that includes a complete financial plan for the fiscal year. Commissioners Court must approve and adopt the budget in accordance with Section 111.003 of the Local Government Code through the passage of a court order.

A proposed budget is presented to the County's Commissioner's Court on or by September 30. Public hearings pertaining to the proposed budget are conducted by Commissioners Court. During these hearings, comments from the public are heard. Before determining the final budget, Commissioners Court, while establishing overall spending priorities for the County, may increase or decrease the amounts requested by the different departments and agencies. After approval of the budget, Commissioners Court may authorize transfers of appropriations within the various expenditure levels during the year. Such transfers, however, may not increase the overall budget total. The County budget may be increased during the course of the fiscal year for newly received bond proceeds, grants, state aid, intergovernmental contracts or unanticipated revenue received after adoption of the budget.

The County's administration performs budget reviews during the year in which budget requirements are re-evaluated and revisions are recommend to the Commissioners. The Commissioners must approve amendments to the budget and such amendments are made before the fact, are reflected in the official minutes of the Commissioners, and are not made after fiscal year end.

During the year ended September 30, 2019, budget amendments were necessary; however, none of these were significant. All amendments were approved by Commissioner's Court.

All budget appropriations lapse at fiscal year end. Encumbrances accounting is not utilized.

Budgetary Basis of Accounting

The County's budget is prepared on a modified accrual basis of accounting.

Expenditures in Excess of Appropriations

During the fiscal year ended September 30, 2019, the County did not have any significant expenditures in excess of appropriations. Overall expenditures did not exceed appropriations.

PRESIDIO COUNTY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Year Ended December 2018 (measurement year)	Year Ended December 2017 (measurement year)	Year Ended December 2016 (measurement year)	Year Ended December 2015 (measurement year)	Year Ended December 2014 (measurement year)
Total Pension Liability					
Service Cost	\$ 329,929	\$ 331,081	\$ 319,386	\$ 282,947	\$ 301,034
Interest on total pension liability	598,693	548,925	488,468	455,092	425,378
Effect of plan changes	-	-	-	(43,034)	-
Effect of assumption changes or inputs	-	56,270	-	70,124	-
Effect of economic/demographic (gains) or losses	6,617	(9,856)	28,396	(92,139)	(84,839)
Benefit payments/refunds of contributions	(349,535)	(273,652)	(255,434)	(275,222)	(282,912)
Net change in total pension liability	585,704	652,768	580,816	397,768	358,661
Total pension liability, beginning	7,232,703	6,579,935	5,999,119	5,601,351	5,242,690
Total pension liability, ending (a)	\$ 7,818,407	\$ 7,232,703	\$ 6,579,935	\$ 5,999,119	\$ 5,601,351
Fiduciary Net Position					
Employer contributions	\$ 169,191	\$ 160,315	\$ 150,462	\$ 159,357	\$ 147,730
Member contributions	156,658	158,466	152,239	148,422	131,814
Investment income net of investment expenses	(140,521)	954,396	445,828	(70,560)	378,461
Benefit payments/refunds of contributions	(349,535)	(273,652)	(255,434)	(275,222)	(282,912)
Administrative expenses	(5,910)	(5,007)	(4,841)	(4,346)	(4,520)
Other	50	558	26,086	5,196	12,447
Net change in fiduciary net position	(170,067)	995,076	514,340	(37,153)	383,020
Fiduciary net position, beginning	7,528,627	6,533,551	6,019,211	6,056,364	5,673,344
Fiduciary net position, ending (b)	7,358,560	7,528,627	6,533,551	6,019,211	6,056,364
Net pension liability / (asset), ending = (a) - (b)	\$ 459,847	\$ (295,924)	\$ 46,384	\$ (20,092)	\$ (455,013)
Fiduciary net position as a % of total pension liability	94.12%	104.09%	99.30%	100.33%	108.12%
Covered payroll	\$ 2,610,973	\$ 2,641,096	\$ 2,537,308	\$ 2,375,493	\$ 2,196,899
Net pension liability/(asset) as a % of covered payroll	17.61%	-11.20%	1.83%	-0.85%	-20.71%

Note: In accordance with GASB 68, paragraph 138, this schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been effective.

PRESIDIO COUNTY, TEXAS

SCHEDULE OF COUNTY CONTRIBUTIONS

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2017	\$ 153,291	\$ 153,291	\$ -	\$ 2,539,523	6.0%
2018	164,696	164,696	-	2,586,511	6.4%
2019	170,703	170,703	-	2,565,092	6.7%

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which 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	19.1 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule.

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

PRESIDIO COUNTY, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Actuarial Methods and Assumptions Used for GASB Calculations

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2018 funding valuation, except as noted below.

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org
Salary Increases	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org
Investment Rate of Return	8.10% (Gross of administrative expenses)
Cost of Living Adjustments	Cost-of-Living Adjustments for Presidio County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of- living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org
Turnover	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org
Mortality	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org

(1) Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

PRESIDIO COUNTY, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS AND NOTES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Year Ended September 30, 2019 <u>(Measurement Year)</u>
Changes in the Total OPEB Liability	
Total OPEB Liability - beginning of year	\$ 3,017,779
Changes for the year	
Service Cost	391,521
Interest Cost on Total OPEB Liability	90,376
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(23,415)</u>
Net changes	<u>458,482</u>
Total OPEB Liability - end of year	<u>\$ 3,476,261</u>
Total OPEB Liability as a Percentage of Covered Payroll	164.36%
Covered payroll	\$ 2,114,993

NOTES TO SCHEDULE

GASB 75, paragraph 170 requires that the information on this schedule be presented for the Plan's measurement year (October 1 - September 30) which is the same as the County's fiscal year.

Pursuant to GASB 75, paragraph 171, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

Pursuant to GASB 75, this schedule should show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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SUPPLEMENTARY INFORMATION

PRESIDIO COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

Data Control Codes	231 Seizures Fund	233 Technology Fund	235 Records Management Fund	236 Court Records Management
ASSETS				
1010 Cash and Cash Equivalents	\$ 18,892	\$ 16,693	\$ 62,476	\$ 7,000
1150 Accounts Receivable Net	-	-	-	-
1260 Due from Other Governments	-	-	-	-
1300 Due from Other Funds	-	-	-	-
1410 Inventories	-	-	-	-
1430 Prepaid Items	-	-	-	-
1000 Total Assets	<u>\$ 18,892</u>	<u>\$ 16,693</u>	<u>\$ 62,476</u>	<u>\$ 7,000</u>
LIABILITIES				
2010 Accounts Payable	\$ -	\$ 844	\$ 925	\$ 30
2070 Intergovernmental Payable	-	-	-	-
2080 Due to Other Funds	-	605	-	-
2000 Total Liabilities	<u>-</u>	<u>1,449</u>	<u>925</u>	<u>30</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
3430 Prepaid Items	-	-	-	-
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	-	-
3490 Other Restricted Fund Balance	18,892	15,244	61,551	6,970
3000 Total Fund Balances	<u>18,892</u>	<u>15,244</u>	<u>61,551</u>	<u>6,970</u>
4000 Total Liabilities and Fund Balances	<u>\$ 18,892</u>	<u>\$ 16,693</u>	<u>\$ 62,476</u>	<u>\$ 7,000</u>

237 Courthouse Security Fund	238 Abandoned Vehicle Fund	240 Law Library Fund	241 Lease Fund	250 Airport Fund	260 Hot Check Fund	262 Estray Fund	274 Homeland Security 2007 Fund
\$ 38,443	\$ 20,046	\$ 4,993	\$ 2,543	\$ 103,828	\$ 2,768	\$ 4,198	\$ 4,718
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	66,391	-	-	-
-	-	-	-	49,748	-	-	-
-	-	-	-	7,721	-	-	-
<u>\$ 38,443</u>	<u>\$ 20,046</u>	<u>\$ 4,993</u>	<u>\$ 2,543</u>	<u>\$ 227,688</u>	<u>\$ 2,768</u>	<u>\$ 4,198</u>	<u>\$ 4,718</u>
\$ 871	\$ 2,670	\$ 301	\$ -	\$ 8,953	\$ -	\$ -	\$ 4,718
-	-	-	-	-	-	-	-
-	-	-	-	325	-	-	-
<u>871</u>	<u>2,670</u>	<u>301</u>	<u>-</u>	<u>9,278</u>	<u>-</u>	<u>-</u>	<u>4,718</u>
-	-	-	-	49,748	-	-	-
-	-	-	-	7,721	-	-	-
-	-	-	-	-	-	-	-
37,572	17,376	4,692	2,543	160,941	2,768	4,198	-
<u>37,572</u>	<u>17,376</u>	<u>4,692</u>	<u>2,543</u>	<u>218,410</u>	<u>2,768</u>	<u>4,198</u>	<u>-</u>
<u>\$ 38,443</u>	<u>\$ 20,046</u>	<u>\$ 4,993</u>	<u>\$ 2,543</u>	<u>\$ 227,688</u>	<u>\$ 2,768</u>	<u>\$ 4,198</u>	<u>\$ 4,718</u>

PRESIDIO COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

Data Control Codes	286 Operation Stonegarden 2016 Fund	290 VOCA Grant Fund	291 Operation Stonegarden 2011 Fund	292 Operation Stonegarden 2012 Fund
ASSETS				
1010 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 9,225
1150 Accounts Receivable Net	-	15,006	-	555
1260 Due from Other Governments	-	-	12,508	52,959
1300 Due from Other Funds	-	-	-	-
1410 Inventories	-	-	-	-
1430 Prepaid Items	-	-	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 15,006</u>	<u>\$ 12,508</u>	<u>\$ 62,739</u>
LIABILITIES				
2010 Accounts Payable	\$ -	\$ 2,764	\$ -	\$ -
2070 Intergovernmental Payable	-	-	12,508	62,739
2080 Due to Other Funds	-	12,242	-	-
2000 Total Liabilities	<u>-</u>	<u>15,006</u>	<u>12,508</u>	<u>62,739</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3110 Inventories	-	-	-	-
3130 Prepaid Items	-	-	-	-
Restricted Fund Balance:				
3280 Retirement of Long-Term Debt	-	-	-	-
3290 Other Restricted Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 15,006</u>	<u>\$ 12,508</u>	<u>\$ 62,739</u>

293 Operation Stonegarden 2018 Fund	294 CTIF Grant Fund	295 TxDOT Ramp Grant Fund	296 CDBG #7215409 Fund	297 CDBG #7217380 Fund	298 CDBG #7216045 Fund	299 OOG Grant #3449501 Fund	660 TWDB Grant Fund
\$ -	\$ -	\$ 2,020	\$ -	\$ -	\$ -	\$ -	\$ 299,984
-	-	-	-	-	-	-	16
3,190	-	7,594	-	-	203,175	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,190</u>	<u>\$ -</u>	<u>\$ 9,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,175</u>	<u>\$ -</u>	<u>\$ 300,000</u>
\$ -	\$ -	\$ 7,960	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1,654	-	-	-	-	-
3,190	-	-	-	-	203,175	-	-
<u>3,190</u>	<u>-</u>	<u>9,614</u>	<u>-</u>	<u>-</u>	<u>203,175</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	300,000
-	-	-	-	-	-	-	300,000
<u>\$ 3,190</u>	<u>\$ -</u>	<u>\$ 9,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,175</u>	<u>\$ -</u>	<u>\$ 300,000</u>

PRESIDIO COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2019

Data Control Codes	Total Nonmajor Special Revenue Funds	570 Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS			
1010 Cash and Cash Equivalents	\$ 597,827	\$ 214,774	\$ 812,601
1150 Accounts Receivable Net	15,577	-	15,577
1260 Due from Other Governments	279,426	-	279,426
1300 Due from Other Funds	66,391	-	66,391
1410 Inventories	49,748	-	49,748
1430 Prepaid Items	7,721	-	7,721
1000 Total Assets	<u>\$ 1,016,690</u>	<u>\$ 214,774</u>	<u>\$ 1,231,464</u>
LIABILITIES			
2010 Accounts Payable	\$ 30,036	\$ -	\$ 30,036
2070 Intergovernmental Payable	76,901	-	76,901
2080 Due to Other Funds	219,537	26,078	245,615
2000 Total Liabilities	<u>326,474</u>	<u>26,078</u>	<u>352,552</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3110 Inventories	49,748	-	49,748
3130 Prepaid Items	7,721	-	7,721
Restricted Fund Balance:			
3280 Retirement of Long-Term Debt	-	188,696	188,696
3290 Other Restricted Fund Balance	632,747	-	632,747
3000 Total Fund Balances	<u>690,216</u>	<u>188,696</u>	<u>878,912</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,016,690</u>	<u>\$ 214,774</u>	<u>\$ 1,231,464</u>

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(Exhibit H-2 next page)

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

Data Control Codes	231 Seizures Fund	233 Technology Fund	235 Records Management Fund	236 Court Records Management
REVENUES:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5300 Intergovernmental Revenue and Grants	-	-	-	-
5400 Charges for Services	-	11,171	11,587	48
5610 Investment Earnings	-	-	-	-
5020 Total Revenues	<u>-</u>	<u>11,171</u>	<u>11,587</u>	<u>48</u>
EXPENDITURES:				
Current:				
0100 General Government	-	5,864	-	-
0120 Judicial	-	-	-	-
0200 Public Safety	-	-	-	-
0300 Public Works	-	-	-	-
Debt Service:				
0710 Principal on Debt	-	-	-	-
0720 Interest on Debt	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>5,864</u>	<u>-</u>	<u>-</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>5,307</u>	<u>11,587</u>	<u>48</u>
OTHER FINANCING SOURCES (USES):				
7914 Noncurrent Loans	-	-	-	-
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	5,307	11,587	48
0100 Fund Balance - October 1 (Beginning)	<u>18,892</u>	<u>9,937</u>	<u>49,964</u>	<u>6,922</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 18,892</u>	<u>\$ 15,244</u>	<u>\$ 61,551</u>	<u>\$ 6,970</u>

237 Courthouse Security Fund	238 Abandoned Vehicle Fund	240 Law Library Fund	241 Lease Fund	250 Airport Fund	260 Hot Check Fund	262 Estray Fund	274 Homeland Security 2007 Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	137,949	-	-	-
17,788	2,605	2,800	2,792	565,177	120	1,309	-
-	-	-	-	-	-	-	-
<u>17,788</u>	<u>2,605</u>	<u>2,800</u>	<u>2,792</u>	<u>703,126</u>	<u>120</u>	<u>1,309</u>	<u>-</u>
-	-	-	-	-	-	3,321	-
-	-	2,151	-	-	-	-	-
-	6,629	-	4,042	-	-	-	-
-	-	-	-	610,723	-	-	-
-	-	-	-	10,205	-	-	-
-	-	-	-	7,868	-	-	-
-	6,629	2,151	4,042	628,796	-	3,321	-
<u>17,788</u>	<u>(4,024)</u>	<u>649</u>	<u>(1,250)</u>	<u>74,330</u>	<u>120</u>	<u>(2,012)</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	25,000	-	-	-
-	-	-	-	25,000	-	-	-
17,788	(4,024)	649	(1,250)	99,330	120	(2,012)	-
<u>19,784</u>	<u>21,400</u>	<u>4,043</u>	<u>3,793</u>	<u>119,080</u>	<u>2,648</u>	<u>6,210</u>	<u>-</u>
<u>\$ 37,572</u>	<u>\$ 17,376</u>	<u>\$ 4,692</u>	<u>\$ 2,543</u>	<u>\$ 218,410</u>	<u>\$ 2,768</u>	<u>\$ 4,198</u>	<u>\$ -</u>

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

Data Control Codes	286 Operation Stonegarden 2016 Fund	290 VOCA Grant Fund	291 Operation Stonegarden 2011 Fund	292 Operation Stonegarden 2012 Fund
REVENUES:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5300 Intergovernmental Revenue and Grants	-	43,574	-	-
5400 Charges for Services	-	-	-	-
5610 Investment Earnings	-	-	-	-
5020 Total Revenues	<u>-</u>	<u>43,574</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
0100 General Government	-	-	-	-
0120 Judicial	-	-	-	-
0200 Public Safety	-	43,574	-	-
0300 Public Works	-	-	-	-
Debt Service:				
0710 Principal on Debt	-	-	-	-
0720 Interest on Debt	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>43,574</u>	<u>-</u>	<u>-</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7914 Noncurrent Loans	-	-	-	-
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - October 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

293 Operation Stonegarden 2018 Fund	294 CTIF Grant Fund	295 TxDOT Ramp Grant Fund	296 CDBG #7215409 Fund	297 CDBG #7217380 Fund	298 CDBG #7216045 Fund	299 OOG Grant #3449501 Fund	660 TWDB Grant Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,190	-	15,051	-	-	303,058	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,190</u>	<u>-</u>	<u>15,051</u>	<u>-</u>	<u>-</u>	<u>303,058</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,190	-	15,051	-	-	303,058	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,190</u>	<u>-</u>	<u>15,051</u>	<u>-</u>	<u>-</u>	<u>303,058</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	300,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	300,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	300,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,000</u>

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

Data Control Codes	Total Nonmajor Special Revenue Funds	570 Debt Service Fund	Total Nonmajor Governmental Funds
REVENUES:			
Taxes:			
5110 Property Taxes	\$ -	\$ 294,403	\$ 294,403
5300 Intergovernmental Revenue and Grants	502,822	-	502,822
5400 Charges for Services	615,397	-	615,397
5610 Investment Earnings	-	166	166
5020 Total Revenues	<u>1,118,219</u>	<u>294,569</u>	<u>1,412,788</u>
EXPENDITURES:			
Current:			
0100 General Government	9,185	-	9,185
0120 Judicial	2,151	-	2,151
0200 Public Safety	57,435	-	57,435
0300 Public Works	928,832	-	928,832
Debt Service:			
0710 Principal on Debt	10,205	264,000	274,205
0720 Interest on Debt	7,868	8,073	15,941
6030 Total Expenditures	<u>1,015,676</u>	<u>272,073</u>	<u>1,287,749</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>102,543</u>	<u>22,496</u>	<u>125,039</u>
OTHER FINANCING SOURCES (USES):			
7914 Noncurrent Loans	300,000	-	300,000
7915 Transfers In	25,000	-	25,000
7080 Total Other Financing Sources (Uses)	<u>325,000</u>	<u>-</u>	<u>325,000</u>
1200 Net Change in Fund Balance	427,543	22,496	450,039
0100 Fund Balance - October 1 (Beginning)	<u>262,673</u>	<u>166,200</u>	<u>428,873</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 690,216</u>	<u>\$ 188,696</u>	<u>\$ 878,912</u>

COMPLIANCE SECTION

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

To the Honorable County Judge and
Members of the Commissioners' Court
Presidio County, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Presidio County, Texas, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Presidio County, Texas' basic financial statements and have issued our report thereon dated January 7, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Presidio County, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Presidio County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Presidio 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and 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 deficiencies described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and responses as items 2019-003 to be significant deficiencies.

Compliance and Other Matters

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

Presidio County, Texas' Response to Findings

Presidio County, Texas' response to the findings identified in our audit is described in the accompanying corrective action plan. Presidio County, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Gibson Ruddock Patterson LLC

El Paso, Texas
January 7, 2021

PRESIDIO COUNTY, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Were significant deficiencies in internal control disclosed? Yes, 2019-003
- Were material weaknesses in internal control disclosed? Yes, 2019-001 and 2019-002

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards? No

PRESIDIO COUNTY, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

FINANCIAL STATEMENT FINDING

2019-001 - Internal Control over Cash Receipts at Justice of the Peace Office - Inadequate Segregation of Duties (Material Weakness)

Criteria: The County is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly and that adequate documentation is maintained to support all transactions recorded. Controls should safeguard the assets of the County.

Condition Found: The same person is typically involved in collecting money and depositing money for the Justice of the Peace department. In addition, the bank statement related to each of the Justice of the Peace accounts is not being reconciled/reviewed by another person.

Effect: The lack of segregated duties resulted in a weakness in internal controls. It increases the risk of misappropriation of assets and potential misreporting of financial statements amounts due to error or fraud.

Cause: The County has not adopted procedures in the Justice of the Peace department to properly segregate duties.

Recommendation: We recommend management adopt procedures to segregate duties.

View of responsible officials: See Corrective Action Plan.

2019-002 - Internal Control over Cash Receipts at Treasurer's Office - Inadequate Segregation of Duties (Material Weakness)

Criteria: The County is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly and that adequate documentation is maintained to support all transactions recorded. Controls should safeguard the assets of the County.

Condition Found: The same person is typically involved in collecting money, depositing money, and recording the deposits in the general ledger.

Effect: The lack of segregated duties resulted in a weakness in internal controls. It increases the risk of misappropriation of assets and potential misreporting of financial statements amounts due to error or fraud.

Cause: The County has not adopted procedures in the Treasurer's department to properly segregate duties.

Recommendation: We recommend management adopt procedures to segregate duties.

View of responsible officials: See Corrective Action Plan.

PRESIDIO COUNTY, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

FINANCIAL STATEMENT FINDING (Continued)

2019-003 - Internal Control over Cash Receipts at Golf Course - Inadequate Controls (Significant Deficiency)

Criteria: The County is required to maintain internal controls over financial reporting to provide a high level of assurance that the financial records are recorded properly and that adequate documentation is maintained to support all transactions recorded. Controls should safeguard the assets of the County.

Condition Found: The golf course does not utilize a receipt system for the payment of greens fees, cart rentals, etc. The amounts collected are recorded manually on a sheet of paper and then turned over to the Treasurer for deposit. Internal controls are not in place to ensure all amounts are properly collected, deposited, and recorded.

Effect: Inadequate controls over the golf course revenue increases the risk of misappropriation of assets and potential misreporting of financial statements amounts due to error or fraud.

Cause: The County has not adopted procedures for the golf course to properly reconcile amounts due to the County to amounts collected.

Recommendation: We recommend management adopt procedures to safeguard the assets of the County and ensure all fees are charged, collected, and deposited.

View of responsible officials: See Corrective Action Plan.

PRESIDIO COUNTY, TEXAS

SCHEDULE OF STATUS OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

FINANCIAL STATEMENT FINDINGS

2018-001 - Internal Control over Cash Receipts at Justice of the Peace Office - Inadequate Segregation of Duties (Material Weakness)

Status: Unresolved and repeat finding. See current year finding 2019-001.

2018-002 - Internal Control over Cash Receipts at Treasurer's Office - Inadequate Segregation of Duties (Material Weakness)

Status: Unresolved and repeat finding. See current year finding 2019-002.

2018-003 - Internal Control over Cash Receipts at Golf Course - Inadequate Controls (Significant Deficiency)

Status: Unresolved and repeat finding. See current year finding 2019-003.

**CORRECTIVE ACTION PLAN
BY
PRESIDIO COUNTY, TEXAS**



Corrective Action Plan

Finding 2019-001

Corrective Action Plan: The County will develop a process that will properly segregate the duties of money collection and deposits. The process will include monthly bank reconciliations and reviews.

Responsible Party: County Auditor Patty Roach, County Treasurer Frances Garcia, Justice of the Peace – Pct #1 David Beebe, Justice of the Peace – Pct #2 Juanita Bishop

Estimated Date of Completion: Partial implementation in January 2020. Complete implementation – Summer 2021

Finding 2019-002

Corrective Action Plan: The County will put a new procedure in place that requires review of deposits and posting of receipts by the County Auditor's Office.

Responsible Party: County Auditor Patty Roach, County Treasurer Frances Garcia

Estimated Date of Completion: Implemented May 2020

Finding 2019-003

Corrective Action Plan: The County will begin to utilize pre-numbered receipts at the Golf Course and require that a receipt be issued for any payment, excluding credit cards which are not used at this time.

Responsible Party: County Treasurer Frances, Golf Course Manager Ernest Villarreal

Estimated Date of Completion: Implemented May 2020