

PRESIDIO COUNTY, TEXAS
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

PRESIDIO COUNTY, TEXAS

SEPTEMBER 30, 2018

Table of Contents

	<u>Page</u>	<u>Exhibit</u>
FINANCIAL SECTION	1	
Independent Auditor's Report	2	
Management's Discussion and Analysis (Unaudited)	5	
<u>BASIC FINANCIAL STATEMENTS</u>	13	
<u>Government-wide Financial Statements:</u>		
Statement of Net Position	15	A-1
Statement of Activities	16	B-1
<u>Governmental Fund Financial Statements:</u>		
Balance Sheet – Governmental Funds	20	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	22	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	23	C-4
<u>Proprietary Fund Financial Statements:</u>		
Statement of Net Position - Proprietary Fund	26	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	27	D-2
Statement of Cash Flows – Proprietary Fund	28	D-3
<u>Fiduciary Fund Financial Statements:</u>		
Statement of Fiduciary Net Position	30	E-1
<u>Notes to the Basic Financial Statements</u>	31	
REQUIRED SUPPLEMENTARY INFORMATION	59	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	60	G-1
Notes to Required Supplementary Information - Budget	61	
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios - Texas County & District Retirement System	62	G-2
Schedule of County Contributions – Texas County & District Retirement System	63	G-3
Notes to Required Supplementary Information Texas County & District Retirement System	64	

Table of Contents

Continued

	<u>Page</u>	<u>Exhibit</u>
SUPPLEMENTARY INFORMATION	65	
Combining Balance Sheet – Non-major Governmental Funds	66	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Non-major Governmental Funds	70	H-2
COMPLIANCE SECTION	75	
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 <i>With Government Auditing Standards</i>	76	
Schedule of Findings and Responses	78	
Schedule of Prior Year Findings	81	
Corrective Action Plan	82	

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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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. 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 unmodified and qualified audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Unmodified
General Fund	Unmodified
Enterprise Fund - Jail Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for *Qualified Opinion* on Governmental Activities

The County offers post-employment benefits other than pensions (OPEB) in the form of health insurance to its retired employees. The County has not yet contracted with an actuary to calculate the liability and expense associated with these benefits and the related deferred outflows and deferred inflows of resources. As such, no amounts related to these benefits have been recorded in the governmental activities. Accounting principles generally accepted in the United State of America require that all activity of Presidio County, Texas be included in the financial statements. The amount by which this departure would affect the liabilities and related deferred outflows, deferred inflows, net position, and expense of the governmental activities has not been determined.

***Qualified Opinion* on Governmental Activities**

In our opinion, except for the effects of the matter discussed in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Presidio County, Texas, as of September 30, 2018, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and pension information on pages 5-11 and 60-64, 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 May 12, 2020, 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
May 12, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

**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, 2018. Please read it in conjunction with, the independent auditors' report on page 2 and 76, and the County's Basic Financial Statements which begin on page 13.

FINANCIAL HIGHLIGHTS

As a result of this year's operations the County's total net position decreased by \$208,530. The result was that net position of our governmental activities increased by \$79,186 and the business-like activities increased by \$144,989. Additionally, there was prior period adjustment that further decreased net position by \$165,062 and \$267,643 for the governmental activities and business-like activities, respectively.

During the year, the County had expenditures that were \$79,186 less than the \$5,683,269 generated by the ad valorem taxes, licenses and permits, charges for services as well as miscellaneous income in the governmental funds. The County had expenses that were \$144,989 less than the \$1,430,642 that was generated by charges for services and transfers in the proprietary fund.

The governmental funds ended the year with a fund balance of \$2,277,959 compared to a fund balance of \$2,982,568 at the end of the prior year. The proprietary fund ended the year with net position of \$4,409,426 compared to a net position of \$4,532,080 at the end of the prior year.

The general fund budget for the County revealed \$405,701 more revenues were received during the year than were budgeted while \$33,404 more expenses were incurred than were budgeted for in the year. In addition, other financing sources were \$268,927 more than what was budgeted. The net effect of the budget variance was \$641,224, 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	
	2018	2017	2018	2017	2018	2017
Assets						
Current Assets	\$ 4,033,933	\$ 3,948,805	\$ 2,396,171	\$ 2,169,000	\$ 6,430,104	\$ 6,117,805
Capital Assets, net	8,619,679	8,685,553	2,939,221	2,738,117	11,558,900	11,423,670
Net Pension Asset	295,924	46,384	-	-	295,924	46,384
Total Assets	12,949,536	12,680,742	5,335,392	4,907,117	18,284,928	17,587,859
Total Deferred Outflows of Resources						
	190,838	700,389	-	-	190,838	700,389
Liabilities						
Current Liabilities	661,095	966,238	491,188	314,807	1,152,283	1,281,044
Debt Service – Current	338,316	264,000	95,597	-	433,913	264,000
Debt Service – Noncurrent	426,463	219,000	305,793	-	732,256	219,000
Compensated Absences	98,638	132,249	33,388	60,231	132,026	192,480
Total Liabilities	1,524,512	1,581,487	925,966	375,037	2,450,478	1,956,524
Total Deferred Inflows of Resources						
	98,733	196,639	-	-	98,733	196,639
Net Position						
Net Invested in Capital Assets	7,854,900	8,202,553	2,537,831	2,738,117	10,392,731	10,940,670
Restricted	306,491	353,260	-	-	306,491	353,260
Unrestricted	3,355,738	3,047,192	1,871,595	1,793,963	5,227,333	4,841,155
Total Net Position	\$ 11,517,129	\$ 11,603,005	\$ 4,409,426	\$ 4,532,080	\$ 15,926,555	\$ 16,135,085

TABLE II – SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Property Taxes	\$3,327,757	\$2,844,740	\$ -	\$ -	\$3,327,757	\$2,844,740
Charges for Services Operating & Capital	2,057,203	1,781,068	1,431,982	1,171,981	3,489,185	2,953,049
Grants	147,905	302,078	-	-	147,905	302,078
Other	149,064	582,409	-	13	149,064	582,422
Total Revenues	5,681,929	5,510,295	1,431,982	1,171,994	7,113,911	6,682,289
Expenses						
General Government	2,349,764	2,124,565	-	-	2,349,764	2,124,565
Judicial	606,388	515,248	-	-	606,388	515,248
Public Safety	990,772	974,710	-	-	990,772	974,710
Public Works	1,394,574	1,597,656	-	-	1,394,574	1,597,656
Culture and Recreation	245,276	194,351	-	-	245,276	194,351
Interest on Debt	17,309	-	-	-	17,309	-
Jail	-	-	1,285,653	1,323,395	1,285,653	1,323,395
Total Expenses	5,604,083	5,406,530	1,285,653	1,323,395	6,889,736	6,729,925
Excess (Deficiency) of Revenues over Expenditures	77,846	103,765	146,329	(151,401)	224,175	(47,636)
Other Financing Sources (Uses) Transfers	1,340	-	(1,340)	-	-	-
Total Financing Sources (Uses)	1,340	-	(1,340)	-	-	-
Change in Net Position Net Position –	79,186	103,765	144,989	(151,401)	224,175	(47,636)
Beginning of Year	11,603,005	11,499,240	4,532,080	4,683,481	16,135,085	16,182,721
Prior Period Adjustment	(165,062)	-	(267,643)	-	(432,705)	-
Net Position – End of Year	\$11,517,129	11,603,005	\$4,409,426	\$4,532,080	\$15,926,555	\$16,135,085

Although, the County's tax rate for 2018 was lower than 2017, the County's revenue increased due to an increase in property tax values. Additionally, the airport and jail had increased in revenue. Several grants were completed at the end of the 2017 year; thus the 2018 grant revenue was lower. The 2017 year also included a \$500,000 donation.

For 2018, the County approved a pay raise of \$1,000 for every full-time employee.

On July 31, 2018 the jail closed for renovations. The inmates were taken to other jail facilities. The jail reopened in November 2018.

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 shortly after the beginning of the year and reflect the actual beginning balances versus the amounts estimated in September 2018. 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. However, for fiscal year 2018, there were no budget amendments for the general fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2018, the County had \$8.6 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	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,027,773	\$ 1,027,773	\$ 933	\$ 933	\$ 1,028,706	\$ 1,028,706
Buildings, Improvements and Infrastructure	13,158,295	13,080,446	5,930,455	6,009,204	19,088,750	19,089,650
Machinery and Equipment	6,328,601	5,000,846	195,038	1,023,996	6,523,639	6,024,842
Construction in Progress	14,879	118,942	673,272	-	688,151	118,942
Accumulated Depreciation	(11,909,869)	(10,542,454)	(3,860,477)	(4,296,016)	(15,770,346)	(14,838,470)
Total Net Capital Assets	\$ 8,619,679	\$ 8,685,553	\$ 2,939,221	\$ 2,738,117	\$ 11,558,900	\$ 11,423,670

Assets that were previously, included with the business-type activities were reclassified during the year to the governmental activities as their usage is more accurately reflected in that activity. The reclassifications amounted to \$268,999, net of accumulated depreciation. The government activities' capital assets were also increased mainly due to the lease purchase of the telephone system for the County.

The business-type activities' capital assets increased mainly due to the construction in progress for the renovations of the jail.

Debt Administration

At the end of the year the governmental activities had \$483,000 outstanding for bonds, which is a decrease of \$252,000 and other long-term liabilities was \$413,297, which was an increase due to new capital leases. The enterprise fund issued debt in the amount of \$510,000 for the jail renovations and the balance at year end was \$401,390.

ECONOMIC FACTORS AND NER YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and controlled us 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 2019 budget was adopted on September 26, 2018 with total governmental fund expenditures of \$6,612,401 a 2.2% increase from the fiscal year 2018 budgeted expenditures. The County's ad valorem tax rate is \$0.61475 for fiscal year 2019, which is effectively a 3.5% decrease over the prior year.

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.

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BASIC FINANCIAL STATEMENTS

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PRESIDIO COUNTY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

EXHIBIT A-1

Data Control Codes	Primary Government		
	Governmental Activities	Business - Type Activities	Total
ASSETS			
1010 Cash and Cash Equivalents	\$ 2,481,889	\$ 2,688,690	\$ 5,170,579
1050 Taxes Receivable, Net	1,058,411	-	1,058,411
1150 Accounts Receivable Net	555	-	555
1260 Due from Other Governments	139,438	-	139,438
1300 Due from Other Funds	292,519	(292,519)	-
1410 Inventories	47,141	-	47,141
1430 Prepaid Items	13,980	-	13,980
Capital Assets:			
1710 Land	1,027,773	933	1,028,706
1730 Buildings, Improvements and Infrastructure, Net	6,244,605	5,930,455	12,175,060
1750 Furniture and Equipment, Net	1,332,422	195,038	1,527,460
1760 Capital Assets, Net	-	(3,860,477)	(3,860,477)
1780 Construction in Progress	14,879	673,272	688,151
1800 Net Pension Asset	295,924	-	295,924
1000 Total Assets	12,949,536	5,335,392	18,284,928
DEFERRED OUTFLOWS OF RESOURCES			
1997 Deferred Outflow Related to Pension Plan	190,838	-	190,838
1500 Total Deferred Outflows of Resources	190,838	-	190,838
LIABILITIES			
2010 Accounts Payable	217,239	473,427	690,666
2030 Compensated Absences Payable	32,880	11,130	44,010
2070 Intergovernmental Payable	76,901	-	76,901
2090 Due to Others	307,440	-	307,440
2140 Accrued Interest Payable	3,302	6,631	9,933
2230 Unearned Revenues	23,333	-	23,333
2240 Notes Payable - Current	-	95,597	95,597
2250 Bonds Payable - Current	264,000	-	264,000
2260 Capital Leases Payable - Current	74,316	-	74,316
Noncurrent Liabilities:			
2502 Bonds Payable - Noncurrent	219,000	-	219,000
2520 Notes Payable - Noncurrent	-	305,793	305,793
2540 Capital Leases Payable - Noncurrent	207,463	-	207,463
2550 Compensated Absences - Noncurrent	98,638	33,388	132,026
2000 Total Liabilities	1,524,512	925,966	2,450,478
DEFERRED INFLOWS OF RESOURCES			
2602 Deferred Inflow Related to Pension Plan	98,733	-	98,733
2500 Total Deferred Inflows of Resources	98,733	-	98,733
NET POSITION			
3200 Net Investment in Capital Assets	7,854,900	2,537,831	10,392,731
Restricted for:			
3860 Restricted for Debt Service	162,898	-	162,898
3890 Restricted for Other Purposes	143,593	-	143,593
3900 Unrestricted	3,355,738	1,871,595	5,227,333
3000 Total Net Position	\$ 11,517,129	\$ 4,409,426	\$ 15,926,555

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, 2018

Data Control Codes	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
100 General Government	\$ 2,349,764	\$ 236,221	\$ -	\$ -
120 Judicial	606,388	740,352	48,549	-
200 Public Safety	990,772	80,038	-	6,668
300 Public Works	1,394,574	959,455	92,688	-
500 Culture and Recreation	245,276	41,137	-	-
720 Interest on Debt	17,309	-	-	-
Total Governmental Activities	<u>5,604,083</u>	<u>2,057,203</u>	<u>141,237</u>	<u>6,668</u>
BUSINESS-TYPE ACTIVITIES:				
701 Jail	1,285,653	1,431,982	-	-
Total Business-Type Activities	<u>1,285,653</u>	<u>1,431,982</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u><u>\$ 6,889,736</u></u>	<u><u>\$ 3,489,185</u></u>	<u><u>\$ 141,237</u></u>	<u><u>\$ 6,668</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			
	Transfers In (Out)			
	Total General Revenues 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
\$ (2,113,543)	\$ -	\$ (2,113,543)
182,513	-	182,513
(904,066)	-	(904,066)
(342,431)	-	(342,431)
(204,139)	-	(204,139)
(17,309)	-	(17,309)
<u>(3,398,975)</u>	<u>-</u>	<u>(3,398,975)</u>
-	146,329	146,329
-	146,329	146,329
<u>(3,398,975)</u>	<u>146,329</u>	<u>(3,252,646)</u>
3,036,579	-	3,036,579
291,178	-	291,178
57,103	-	57,103
91,961	-	91,961
1,340	(1,340)	-
<u>3,478,161</u>	<u>(1,340)</u>	<u>3,476,821</u>
79,186	144,989	224,175
11,603,005	4,532,080	16,135,085
(165,062)	(267,643)	(432,705)
<u>\$ 11,517,129</u>	<u>\$ 4,409,426</u>	<u>\$ 15,926,555</u>

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

PRESIDIO COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2018

Data Control Codes	General Fund	Other Funds	Total Governmental Funds
ASSETS			
1010 Cash and Cash Equivalents	\$ 2,153,174	\$ 328,715	\$ 2,481,889
1050 Taxes Receivable	1,176,012	-	1,176,012
1051 Allowance for Uncollectible Taxes	(117,601)	-	(117,601)
1150 Accounts Receivable Net	-	555	555
1260 Due from Other Governments	73,971	65,467	139,438
1300 Due from Other Funds	299,539	10,570	310,109
1410 Inventories	47,141	-	47,141
1430 Prepaid Items	13,980	-	13,980
1000 Total Assets	<u>\$ 3,646,216</u>	<u>\$ 405,307</u>	<u>\$ 4,051,523</u>
LIABILITIES			
2010 Accounts Payable	\$ 206,296	\$ 11,593	\$ 217,889
2070 Intergovernmental Payable	-	76,901	76,901
2080 Due to Other Funds	10,570	7,020	17,590
2090 Due to Others	307,440	-	307,440
2230 Unearned Revenues	23,333	-	23,333
2000 Total Liabilities	<u>547,639</u>	<u>95,514</u>	<u>643,153</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,058,411	-	1,058,411
2603 Deferred Resource Inflow Contracts	72,000	-	72,000
2600 Total Deferred Inflows of Resources	<u>1,130,411</u>	<u>-</u>	<u>1,130,411</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	47,141	-	47,141
3430 Prepaid Items	13,980	-	13,980
Restricted Fund Balance:			
3480 Retirement of Long-Term Debt	-	166,200	166,200
3490 Other Restricted Fund Balance	-	143,593	143,593
3600 Unassigned Fund Balance	1,907,045	-	1,907,045
3000 Total Fund Balances	<u>1,968,166</u>	<u>309,793</u>	<u>2,277,959</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,646,216</u>	<u>\$ 405,307</u>	<u>\$ 4,051,523</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, 2018

Total Fund Balances - Governmental Funds	\$	2,277,959
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 \$20,171,768 and the accumulated depreciation was \$11,269,293. 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.		7,769,043
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 2018 capital outlays and debt principal payments is to increase net position.		859,119
Included in the items related to assets is the recognition of the County's net pension asset required by GASB 68 in the amount of a deferred outflow of resources related to TCDRS of \$190,838 and deferred inflow of resources related to TCDRS of \$98,733. This amounted to an increase in net position in the amount of \$388,029.		388,029
The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(640,576)
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 decrease net position.		863,555
Net Position of Governmental Activities	\$	11,517,129

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, 2018

Data Control Codes	General Fund	Other Funds	Total Governmental Funds
REVENUES:			
Taxes:			
5110 Property Taxes	\$ 2,916,032	\$ 280,582	\$ 3,196,614
5190 Penalty and Interest on Taxes	57,103	-	57,103
5200 Licenses and Permits	36,126	-	36,126
5300 Intergovernmental Revenue and Grants	48,549	99,356	147,905
5400 Charges for Services	1,973,902	51,326	2,025,228
5700 Other Revenue	111,810	-	111,810
5020 Total Revenues	<u>5,143,522</u>	<u>431,264</u>	<u>5,574,786</u>
EXPENDITURES:			
Current:			
0100 General Government	2,198,767	8,557	2,207,324
0120 Judicial	566,552	3,162	569,714
0200 Public Safety	777,236	28,331	805,567
0300 Public Works	1,037,082	92,688	1,129,770
0500 Culture and Recreation	190,114	-	190,114
Debt Service:			
0710 Principal on Debt	-	252,000	252,000
0720 Interest on Debt	-	14,007	14,007
Capital Outlay:			
0800 Capital Outlay	<u>346,658</u>	<u>11,122</u>	<u>357,780</u>
6030 Total Expenditures	<u>5,116,409</u>	<u>409,867</u>	<u>5,526,276</u>
1100 Excess of Revenues Over Expenditures	<u>27,113</u>	<u>21,397</u>	<u>48,510</u>
OTHER FINANCING SOURCES (USES):			
7913 Proceeds from Capital Leases	267,587	-	267,587
7915 Transfers In	1,340	-	1,340
7080 Total Other Financing Sources (Uses)	<u>268,927</u>	<u>-</u>	<u>268,927</u>
1200 Net Change in Fund Balances	296,040	21,397	317,437
0100 Fund Balance - October 1 (Beginning)	2,694,172	288,396	2,982,568
1300 Prior Period Adjustment	<u>(1,022,046)</u>	<u>-</u>	<u>(1,022,046)</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 1,968,166</u>	<u>\$ 309,793</u>	<u>\$ 2,277,959</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, 2018

Total Net Change in Fund Balances - Governmental Funds	\$	317,437
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 2018 capital outlays and debt principal payments is to increase the change in net position.		641,546
GASB 68 requires that certain expenditures be de-expended and recorded as deferred resource outflows. The contributions made after the measurement date of 12/31/2017 caused the change in the ending net position to increase in the amount of \$121,639. Contributions made before the measurement date but during the FY 2018 were also de-expended and recorded as a reduction in the net pension asset for the County. This also caused an increase in the change in net position in the amount of \$43,057. The County recorded its pension expense during the measurement period as part of the net pension asset. The amounts expensed for FY 2018 were \$244,204. The impact of all of these is to decrease the change in net position by \$79,508.		(79,508)
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.		(640,576)
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.		(159,713)
Change in Net Position of Governmental Activities	\$	79,186

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, 2018

	Business Type Activities
	Jail Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,688,690
Total Current Assets	2,688,690
Noncurrent Assets:	
Capital Assets:	
Land	933
Buildings, Improvements and Infrastructure	5,930,455
Furniture and Equipment	195,038
Accumulated Depreciation - Capital Assets	(3,860,477)
Construction in Progress	673,272
Total Noncurrent Assets	2,939,221
Total Assets	5,627,911
LIABILITIES	
Current Liabilities:	
Accounts Payable	473,427
Compensated Absences Payable	11,130
Due to Other Funds	292,519
Accrued Interest Payable	6,631
Notes Payable - Current	95,597
Total Current Liabilities	879,304
Noncurrent Liabilities:	
Loans Payable - Noncurrent	305,793
Compensated Absences - Noncurrent	33,388
Total Noncurrent Liabilities	339,181
Total Liabilities	1,218,485
NET POSITION	
Net Investment in Capital Assets	2,537,831
Unrestricted	1,871,595
Total Net Position	\$ 4,409,426

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, 2018

EXHIBIT D-2

	Business-Type Activities
	Jail Fund
OPERATING REVENUES:	
Charges for Services	\$ 1,431,982
Total Operating Revenues	1,431,982
OPERATING EXPENSES:	
Personnel Services - Salaries and Wages	557,342
Personnel Services - Employee Benefits	175,961
Other Operating Costs	246,464
Supplies	41,704
Depreciation	247,551
Total Operating Expenses	1,269,022
Operating Income	162,960
NONOPERATING REVENUES (EXPENSES):	
Interest Expense - Non-Operating	(6,631)
Bond Issuance Cost	(10,000)
Total NonOperating Revenue (Expenses)	(16,631)
Income Before Transfers	146,329
Transfers Out (Use)	(1,340)
Change in Net Position	144,989
Total Net Position - October 1 (Beginning)	4,532,080
Prior Period Adjustment	(267,643)
Total Net Position - September 30 (Ending)	\$ 4,409,426

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, 2018

	Business-Type Activities
	Jail Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 1,516,927
Cash Payments to Employees for Services	(749,016)
Cash Payments for Suppliers	(50,717)
Cash Payments for Other Operating Expenses	(246,464)
Net Cash Provided by Operating Activities	470,730
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Operating Transfer Out	(1,340)
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(256,145)
Principal Payments on Debt	(108,610)
Debt Proceeds	510,000
Debt Issuance Costs	(10,000)
Net Cash Provided by Capital and Related Financing Activities	135,245
Net Increase in Cash and Cash Equivalents	604,635
Cash and Cash Equivalents at the Beginning of the Year	2,084,055
Cash and Cash Equivalents at the End of the Year	\$ 2,688,690
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income	\$ 162,960
Adjustments to Reconcile Operating Income To Net Cash Provided by Operating Activities:	
Depreciation	247,551
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (Increase) in Receivables	84,945
Increase (Decrease) in Accounts Payable	(9,013)
Increase (Decrease) in Compensated Absences Pay.	(15,713)
Net Cash Provided by Operating Activities	\$ 470,730

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

FIDUCIARY FUND FINANCIAL STATEMENTS

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

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 250,941
Accounts Receivable Net	113
Total Assets	<u>\$ 251,054</u>
LIABILITIES	
Due to Others	\$ 251,054
Total Liabilities	<u>\$ 251,054</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, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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:

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.

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.

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.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2018

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.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2018 was \$0.63734 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.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Impairment of assets takes place when the fair value of the long-term asset is below its book (carrying) value. The impairment loss is recorded only when the carrying value of the asset is not recoverable and exceeds its fair value. The County does not have any impaired assets as of September 30, 2018.

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, 2018, total accrued vacation and compensated absences was \$176,036. Sick leave benefits accrue based on years of service and are not required to be paid upon an employee's termination.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category which 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 \$1,058,411 of unavailable revenue related to property taxes.

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.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018, the County had \$61,121 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.

The following amounts are classified as restricted as of September 30, 2018:

Various programs	\$ 143,593
Retirement of Debt	<u>166,200</u>
Total	<u>\$ 309,793</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, 2018, 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, 2018, the County did not have any assigned fund balance.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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.

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.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 2 - CASH AND CASH EQUIVALENTS

Deposit Risk - As of September 30, 2018, the carrying amount of the County's deposits held in one depository bank was \$5,170,579 for the primary government and \$250,941 for trust and agency funds and the balances per bank totaled \$5,697,906 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 \$8,639,403 at September 30, 2018 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 cash balance at September 30, 2018 is \$80,216.
- Inmate Trust Funds - The County maintains four bank accounts in which they deposit inmate trust funds. The cash balance at September 30, 2018 is \$39,969.
- Agency Trust Funds - The District Clerk maintains fifteen bank accounts as agency trust funds. The cash balances at September 30, 2018 is \$210,972.

NOTE 3 - RECEIVABLES

Receivables consist of the following at September 30, 2018:

	Gross	Allowance for Uncollectible Accounts	Net
Governmental Activities			
Taxes	\$ 1,176,012	\$ (117,601)	\$ 1,058,411
Other Governments	139,438	-	139,438
Others	555	-	555
Total Governmental Activities	<u>\$ 1,316,005</u>	<u>\$ (117,601)</u>	<u>\$ 1,198,404</u>

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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, 2018 consisted of the following:

	Due from Other Funds	Due to Other Funds
General Fund:		
General Fund	\$ 7,020	\$ 10,570
Jail Fund	292,519	-
Total General Fund	<u>299,539</u>	<u>10,570</u>
Debt Service:		
General Fund	<u>9,376</u>	-
Other Funds:		
General Fund	<u>1,194</u>	<u>7,020</u>
Jail Fund:		
General Fund	<u>-</u>	<u>292,519</u>
Total	<u>\$ 310,109</u>	<u>\$ 310,109</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, 2018, the enterprise fund (Jail Fund) transferred \$1,340 to the general fund for payment on the lease of the telephone system used by the enterprise fund.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 5 - CAPITAL ASSETS

A summary of changes in capital asset for the governmental activities for the year ended September 30, 2018 follows:

	Restated Balance at 9/30/2017	Additions	Deletions	Balance at 9/30/2018
Governmental				
Capital assets, not depreciated:				
Land	\$ 1,027,773	\$ -	\$ -	\$ 1,027,773
Construction in Progress	14,879	-	-	14,879
Capital assets, depreciated:				
Buildings, Improvements and Infrastructure	13,158,295	-	-	13,158,295
Machinery and Equipment	5,970,821	357,780	-	6,328,601
Totals at Historical Cost	20,171,768	357,780	-	20,529,548
Less Accumulated Depreciation				
Accumulated Depreciation	(11,269,293)	(640,576)	-	(11,909,869)
Total Accumulated Depreciation	(11,269,293)	(640,576)	-	(11,909,869)
Governmental Capital Assets, Net	\$ 8,902,475	\$ (282,796)	\$ -	\$ 8,619,679

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

Governmental Activities:	
General Government	\$ 130,611
Judicial	22,087
Public Safety	166,066
Public Works	269,732
Culture and Recreation	52,080
Total depreciation expense-governmental activities	<u>\$ 640,576</u>

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 5 - CAPITAL ASSETS (Continued)

A summary of changes in capital assets for the business-type activity for the year ended September 30, 2018 follows:

	Restated Balance at 9/30/2017	Additions	Deletions	Balance at 9/30/2018
Business -type activity				
Capital assets, not depreciated:				
Land	\$ 933	\$ -	\$ -	\$ 933
Construction in Progress	-	673,272	-	673,272
Capital assets, depreciated:				
Buildings, Improvements and Infrastructure	5,930,455	-	-	5,930,455
Machinery and Equipment	152,012	43,026	-	195,038
Totals at Historical Cost	6,083,400	716,298	-	6,799,698
Less Accumulated Depreciation				
Accumulated Depreciation	(3,612,926)	(247,551)	-	(3,860,477)
Total Accumulated Depreciation	(3,612,926)	(247,551)	-	(3,860,477)
Business-type Activities Capital Assets, Net	\$ 2,470,474	\$ 468,747	\$ -	\$ 2,939,221

Depreciation expense for the 2018 fiscal year of the business-type activities was \$247,551.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 6 - LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2018:

Funded by:	Restated Beginning Balance 10/1/2017	Additions	Reduction	Ending Balance 9/30/2018	Due Within One Year	
Governmental Activities:						
<u>Bonds and Certificates of Obligation:</u>						
General Obligation Refunding Bonds Series 2012 - Private Placement	Debt Service Fund	-	\$ (252,000)	\$ 483,000	\$ 264,000	
Total Bonds and Certificates of Obligation		735,000	-	(252,000)	483,000	264,000
<u>Other Liabilities</u>						
Capital Leases Compensated absences	General Fund	49,261 132,249	267,587 731	(35,069) (1,462)	281,779 131,518	74,316 32,880
Total Other Liabilities		181,510	268,318	(36,531)	413,297	107,196
<i>Total Governmental Activities</i>		<u>\$ 916,510</u>	<u>\$ 268,318</u>	<u>\$(288,531)</u>	<u>\$ 896,297</u>	<u>\$ 371,196</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, 2018, the accumulated depreciation of the telephone system was \$3,716.

In addition, as of September 30, 2018, the County has two other remaining leases. One lease is related to a refueler for the airport in the amount of \$68,000. As of September 30, 2018 the accumulated depreciation of the refueler was \$53,429. The lease term is for six years with final payment due in March 2019.

The second lease is for voting machines in the amount of \$28,831. As of September 30, 2018 the accumulated depreciation of the voting machines was \$6,247. 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, 2018

NOTE 6 - LONG-TERM DEBT (Continued)

The principal and interest maturities of long-term debt for Governmental Activities as of September 30, 2018 are as follows:

Governmental Activities:						
Fiscal Year Ending September 30,	Refunding Bonds	Capital Leases	Total Principal	Total Interest	Total Principal and Interest	
2019	\$ 264,000	\$ 74,316	\$ 338,316	\$ 8,168	\$ 346,484	
2020	219,000	63,128	282,128	2,614	284,742	
2021	-	53,517	53,517	-	53,517	
2022	-	53,517	53,517	-	53,517	
2023	-	37,301	37,301	-	37,301	
Total Governmental Activities	\$ 483,000	\$ 281,779	\$ 764,779	\$ 10,782	\$ 775,561	

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

Enterprise Activities:	Balance at 10/1/2017	Issued	Retired	Balance at 9/30/2018	Due Within One Year
<u>Other Liabilities</u>					
Public Property Finance - Contract No. 8132	\$ -	\$ 510,000	\$ (108,610)	\$ 401,390	\$ 95,597
Compensated absences	60,231	15,713	(31,426)	44,518	11,130
Total Enterprise Activities	\$ 60,231	\$ 525,713	\$ (140,036)	\$ 445,908	\$ 106,727

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, 2018 are as follows:

Business Type Activity: Fiscal Year Ending September 30	Principal	Interest	Total Principal and Interest
2019	\$ 95,597	\$ 13,013	\$ 108,610
2020	98,697	9,913	108,610
2021	101,896	6,714	108,610
2022	105,200	3,410	108,610
Total Business Type Activity	\$ 401,390	\$ 33,050	\$ 434,440

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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.

The employees covered by the benefit terms at the December 31, 2017 valuation and measurement date were as follows:

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	145
Active employees	87
Total covered employees	<u>260</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.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 7 - PENSION PLAN (Continued)

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 2017 and 2018, as adopted by the governing body of the County. The County contributed the actuarially determined rates of 6.07% and 6.48% for calendar years 2017 and 2018, 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, 2018 were \$164,696 and were equal to the required contributions.

Net Pension Asset

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

Actuarial Assumptions

Updated mortality assumptions were adopted in 2017. All other actuarial assumptions that determined the total pension liability as of December 31, 2017 were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2016, except where required to be different by GASB 68. The total pension liability in the December 31, 2017 actuarial valuation was determined using the actuarial assumptions for inflation of 2.75% and investment rate of return of 8.1%. 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:

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 7 - PENSION PLAN (Continued)

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.

The changes in mortality assumptions and the inflation assumption, which decreased from 3% per year to 2.75% per year affected measurement of the total pension liability as of December 31, 2017. 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 2018 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. 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, 2018

NOTE 7 - RETIREMENT 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	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ³	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities-Developed Markets	MSCI World Ex USA (net) Index	11.00%	4.55%
International Equities-Emerging Markets	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁴	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁵	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

(1) Target asset allocation adopted at the April 2018 TCDRS Board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per Cliffwater's 2018 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

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.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 7 - PENSION PLAN (Continued)

	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, 2016	\$ 6,579,935	\$ 6,533,551	\$ 46,384
Changes for the year:			
Service cost	331,081	-	331,081
Interest on total pension liability ¹	548,925	-	548,925
Effect of plan changes ²	-	-	-
Effect of economic/demographic gains or losses	(9,856)	-	(9,856)
Effect of assumptions changes or inputs	56,270	-	56,270
Refund of contributions	(22,208)	(22,208)	-
Benefit payments	(251,444)	(251,444)	-
Administrative expenses	-	(5,007)	5,007
Member contributions	-	158,466	(158,466)
Net investment income	-	954,396	(954,396)
Employer contributions	-	160,315	(160,315)
Other ³	-	558	(558)
Balances as of December 31, 2017	<u>\$ 7,232,703</u>	<u>\$ 7,528,627</u>	<u>\$ (295,924)</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, 2018

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	\$ 8,180,260	\$ 7,232,703	\$ 6,441,075
Fiduciary net position	7,528,627	7,528,627	7,528,627
Net pension liability/(asset)	\$ 651,633	\$ (295,924)	\$ (1,087,552)

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, 2018, the County recognized pension expense in the amount of \$244,204. 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	\$ 9,465	\$ 30,427
Changes in assumptions	59,734	-
Net difference between projected and actual earnings	-	68,306
Contributions made subsequent to the measurement date	121,639	-
Total	\$ 190,838	\$ 98,733

The \$121,639 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 or increase in the net pension asset for the year ended September 30, 2019. 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>
2018	\$ 70,258
2019	49,140
2020	(64,219)
2021	(84,713)
Thereafter	-

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 7 - PENSION PLAN (Continued)

Payable to the Pension Plan

At September 30, 2018, the County reported a payable of \$24,039 for the outstanding amount of required contributions to the pension plan for the year ended September 30, 2018. Of the total payable, \$11,557 is for employee contributions.

Changes in Net Pension Liability / (Asset)

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability / (Asset)	\$ 46,384	\$ 251,425	\$ (593,733)	\$ (295,924)

NOTE 8 - 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, 2018, 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, 2018.

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.

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:

Year ending September 30:	Future minimum lease payments
2019	\$ 23,974
2020	23,974
2021	23,974
2022	23,974
2023	15,983
Total	<u>\$ 111,879</u>

The copiers operating lease rent expense for fiscal year ended September 30, 2018 was \$7,991.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 8 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

Construction

The County has an ongoing HVAC construction project for the Jail fund as of September 30, 2018. The amount spent to date is \$673,272 and the remaining commitment amount is \$314,018.

NOTE 9 - 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 10 - 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, 2018.

NOTE 11 - LEASES

The County leases hangars at the airport 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, 2018, 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>
2019	\$ 28,971
2020	28,971
2021	28,723
2022	12,567
2023	4,545
2024 - 2028	21,394
2029 - 2033	10,697
2034 - 2036	<u>531</u>
Total	<u>\$ 136,399</u>

Total rental payments received for the year ended September 30, 2018 was \$40,971.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 12 - PRIOR PERIOD ADJUSTMENT

Prior period adjustments were necessary for the governmental activities, business type activities (Jail Fund), and the general fund. The follow is a summary of the adjustments and the effect on net position/fund balance:

	Governmental Activities	Business Type Activities (Jail Fund)	General Fund
Beginning Net Position/Fund Balance	\$ 11,603,005	\$ 4,532,080	\$ 2,694,172
Prior Period Adjustments:			
Record Inventory	61,245	-	61,245
Record Unavailable Property Taxes, net effect	(194,720)	-	(1,121,988)
Correct Accounts Payable	107,136	-	107,136
Adjust deferred inflow	128,910	-	(96,000)
Correct Receivables	27,561	-	27,561
Correct Capital Assets	(51,426)	-	-
Record lease payables	(49,261)	-	-
Reclassify assets incorrectly recorded in Enterprise Fund	268,999	(268,999)	-
Adjust accumulated depreciation to agree to schedule	-	1,356	-
Correct Bond Payable Balance	(252,000)	-	-
Correct amounts related to Pension Liability	(211,506)	-	-
Total Prior Period Adjustments	<u>(165,062)</u>	<u>(267,643)</u>	<u>(1,022,046)</u>
Restated Net Position/Fund Balance	<u>\$ 11,437,943</u>	<u>\$ 4,264,437</u>	<u>\$ 1,672,126</u>

NOTE 13 - SUBSEQUENT EVENTS

On December 5, 2018, the County issued Tax Notes in the amount of \$418,000 for the 10% match for the airport grant from Texas Department of Transportation.

On April 10, 2019, the County entered into a principal forgiveness agreement with the Texas Water Development Board in the amount of \$300,000.

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.

In preparing the financial statements the management of Presidio County, Texas has evaluated events and transactions for potential recognition or disclosure through May 12, 2020, the date the financial statements were available to be issued.

(Continued)

PRESIDIO COUNTY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENTS

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The County has not completed the process of evaluating the impact on its financial position that will result from adopting this GASB.

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The County has not completed the process of evaluating the impact on its financial position that will result from adopting this GASB.

In June 2017, GASB Statement No. 87, *Leases*, was issued.

Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The County has not completed the process of evaluating the impact on its financial position that will result from adopting this GASB.

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, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
Taxes:					
5110	Property Taxes	\$ 2,953,469	\$ 2,953,469	\$ 2,916,032	\$ (37,437)
5190	Penalty and Interest on Taxes	75,000	75,000	57,103	(17,897)
5200	Licenses and Permits	29,000	29,000	36,126	7,126
5300	Intergovernmental Revenue and Grants	56,633	56,633	48,549	(8,084)
5400	Charges for Services	1,580,719	1,580,719	1,973,902	393,183
5700	Other Revenue	43,000	43,000	111,810	68,810
5020	Total Revenues	4,737,821	4,737,821	5,143,522	405,701
EXPENDITURES:					
Current:					
0100	General Government	2,278,566	2,278,566	2,198,767	79,799
0120	Judicial	611,919	611,919	566,552	45,367
0200	Public Safety	787,983	787,983	777,236	10,747
0300	Public Works	1,145,755	1,145,755	1,037,082	108,673
0500	Culture and Recreation	198,622	198,622	190,114	8,508
Capital Outlay:					
0800	Capital Outlay	60,160	60,160	346,658	(286,498)
6030	Total Expenditures	5,083,005	5,083,005	5,116,409	(33,404)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(345,184)	(345,184)	27,113	372,297
OTHER FINANCING SOURCES (USES):					
7913	Proceeds from Capital Leases	-	-	267,587	267,587
7915	Transfers In	-	-	1,340	1,340
7080	Total Other Financing Sources (Uses)	-	-	268,927	268,927
1200	Net Change	(345,184)	(345,184)	296,040	641,224
0100	Fund Balance - October 1 (Beginning)	2,694,172	2,694,172	2,694,172	-
1300	Prior Period Adjustment	-	-	(1,022,046)	(1,022,046)
3000	Fund Balance - September 30 (Ending)	\$ 2,348,988	\$ 2,348,988	\$ 1,968,166	\$ (380,822)

PRESIDIO COUNTY, TEXAS

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018, there were no budget amendments for the general fund.

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, 2018, the County had expenditures in excess of appropriations for capital outlay due to the lease purchase the County entered in for the telephone system. The monthly lease payments were budgeted but the budget was not amended to reflect the initial purchase of the system in the amount of \$267,587.

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, 2018

	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	\$ 331,081	\$ 319,386	\$ 282,947	\$ 301,034
Interest on total pension liability	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	(9,856)	28,396	(92,139)	(84,839)
Benefit payments/refunds of contributions	(273,652)	(255,434)	(275,222)	(282,912)
Net change in total pension liability	652,768	580,816	397,768	358,661
Total pension liability, beginning	6,579,935	5,999,119	5,601,351	5,242,690
Total pension liability, ending (a)	\$ 7,232,703	\$ 6,579,935	\$ 5,999,119	\$ 5,601,351
Fiduciary Net Position				
Employer contributions	\$ 160,315	\$ 150,462	\$ 159,357	\$ 147,730
Member contributions	158,466	152,239	148,422	131,814
Investment income net of investment expenses	954,396	445,828	(70,560)	378,461
Benefit payments/refunds of contributions	(273,652)	(255,434)	(275,222)	(282,912)
Administrative expenses	(5,007)	(4,841)	(4,346)	(4,520)
Other	558	26,086	5,196	12,447
Net change in fiduciary net position	995,076	514,340	(37,153)	383,020
Fiduciary net position, beginning	6,533,551	6,019,211	6,056,364	5,673,344
Fiduciary net position, ending (b)	7,528,627	6,533,551	6,019,211	6,056,364
Net pension liability / (asset), ending = (a) - (b)	\$ (295,924)	\$ 46,384	\$ (20,092)	\$ (455,013)
Fiduciary net position as a % of total pension liability	104.09%	99.30%	100.33%	108.12%
Covered payroll	\$ 2,641,096	\$ 2,537,308	\$ 2,375,493	\$ 2,196,899
Net pension liability/(asset) as a % of covered payroll	-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, 2018

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 151,794	\$ 159,357	\$ (7,563)	\$ 2,375,493	6.7%
2016	150,462	150,462	-	2,537,308	5.9%
2017	153,291	153,291	-	2,539,523	6.0%
2018	164,696	164,696	-	2,586,511	6.4%

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
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	19.2 years (based on contribution rate calculated in 12/31/2017 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, 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.

* 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, 2018

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, 2017 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%
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.

SUPPLEMENTARY INFORMATION

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

Data Control Codes	231 Seizures Fund	233 Technology Fund	235 Records Management Fund	236 Court Records Mgmt Fund
ASSETS				
1010 Cash and Cash Equivalents	\$ 24,068	\$ 10,781	\$ 50,017	\$ 6,952
1150 Accounts Receivable Net	-	-	-	-
1260 Due from Other Governments	-	-	-	-
1300 Due from Other Funds	-	-	872	-
1000 Total Assets	<u>\$ 24,068</u>	<u>\$ 10,781</u>	<u>\$ 50,889</u>	<u>\$ 6,952</u>
LIABILITIES				
2010 Accounts Payable	\$ -	\$ 844	\$ 925	\$ 30
2070 Intergovernmental Payable	-	-	-	-
2080 Due to Other Funds	5,176	-	-	-
2000 Total Liabilities	<u>5,176</u>	<u>844</u>	<u>925</u>	<u>30</u>
FUND BALANCES				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	-	-
3490 Other Restricted Fund Balance	18,892	9,937	49,964	6,922
3000 Total Fund Balances	<u>18,892</u>	<u>9,937</u>	<u>49,964</u>	<u>6,922</u>
4000 Total Liabilities and Fund Balances	<u>\$ 24,068</u>	<u>\$ 10,781</u>	<u>\$ 50,889</u>	<u>\$ 6,952</u>

237 Courthouse Security Fund	238 Abandoned Vehicle Fund	240 Law Library Fund	241 Lease Fund	260 Hot Check Fund	262 Estray Fund	274 Homeland Security 2007 Fund	291 Operation Stonegarden 2011 Fund
\$ 20,509	\$ 24,355	\$ 4,166	\$ 3,793	\$ 2,648	\$ 9,005	\$ 4,718	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	12,508
147	-	175	-	-	-	-	-
<u>\$ 20,656</u>	<u>\$ 24,355</u>	<u>\$ 4,341</u>	<u>\$ 3,793</u>	<u>\$ 2,648</u>	<u>\$ 9,005</u>	<u>\$ 4,718</u>	<u>\$ 12,508</u>
\$ 872	\$ 2,955	\$ 298	\$ -	\$ -	\$ 951	\$ 4,718	\$ -
-	-	-	-	-	-	-	12,508
-	-	-	-	-	1,844	-	-
<u>872</u>	<u>2,955</u>	<u>298</u>	<u>-</u>	<u>-</u>	<u>2,795</u>	<u>4,718</u>	<u>12,508</u>
-	-	-	-	-	-	-	-
19,784	21,400	4,043	3,793	2,648	6,210	-	-
<u>19,784</u>	<u>21,400</u>	<u>4,043</u>	<u>3,793</u>	<u>2,648</u>	<u>6,210</u>	<u>-</u>	<u>-</u>
<u>\$ 20,656</u>	<u>\$ 24,355</u>	<u>\$ 4,341</u>	<u>\$ 3,793</u>	<u>\$ 2,648</u>	<u>\$ 9,005</u>	<u>\$ 4,718</u>	<u>\$ 12,508</u>

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

Data Control Codes	292 Operation Stonegarden 2012 Fund	294 CTIF Grant Fund	295 Ramp Grant Fund	296 CDBG #7215409 Fund
ASSETS				
1010 Cash and Cash Equivalents	\$ 9,225	\$ -	\$ 1,654	\$ -
1150 Accounts Receivable Net	555	-	-	-
1260 Due from Other Governments	52,959	-	-	-
1300 Due from Other Funds	-	-	-	-
1000 Total Assets	<u>\$ 62,739</u>	<u>\$ -</u>	<u>\$ 1,654</u>	<u>\$ -</u>
LIABILITIES				
2010 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2070 Intergovernmental Payable	62,739	-	1,654	-
2080 Due to Other Funds	-	-	-	-
2000 Total Liabilities	<u>62,739</u>	<u>-</u>	<u>1,654</u>	<u>-</u>
FUND BALANCES				
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>\$ 62,739</u>	<u>\$ -</u>	<u>\$ 1,654</u>	<u>\$ -</u>

297 CDBG #7217380 Fund	298 CDBG #7216045 Fund	299 OOG Grant #3449501 Fund	Total Nonmajor Special Revenue Funds	570 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 171,891	\$ 156,824	\$ 328,715
-	-	-	555	-	555
-	-	-	65,467	-	65,467
-	-	-	1,194	9,376	10,570
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,107</u>	<u>\$ 166,200</u>	<u>\$ 405,307</u>
\$ -	\$ -	\$ -	\$ 11,593	\$ -	\$ 11,593
-	-	-	76,901	-	76,901
-	-	-	7,020	-	7,020
-	-	-	95,514	-	95,514
-	-	-	-	166,200	166,200
-	-	-	143,593	-	143,593
-	-	-	143,593	166,200	309,793
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239,107</u>	<u>\$ 166,200</u>	<u>\$ 405,307</u>

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

Data Control Codes	231 Seizures Fund	233 Technology Fund	235 Records Management Fund	236 Court Records Mgmt Fund
REVENUES:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5300 Intergovernmental Revenue and Grants	-	-	-	-
5400 Charges for Services	-	9,560	9,345	1,730
5020 Total Revenues	<u>-</u>	<u>9,560</u>	<u>9,345</u>	<u>1,730</u>
EXPENDITURES:				
Current:				
0100 General Government	-	5,333	-	-
0120 Judicial	-	-	-	-
0200 Public Safety	6,112	-	-	-
0300 Public Works	-	-	-	-
Debt Service:				
0710 Principal on Debt	-	-	-	-
0720 Interest on Debt	-	-	-	-
Capital Outlay:				
0800 Capital Outlay	1,210	2,844	-	-
6030 Total Expenditures	<u>7,322</u>	<u>8,177</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	(7,322)	1,383	9,345	1,730
0100 Fund Balance - October 1 (Beginning)	<u>26,214</u>	<u>8,554</u>	<u>40,619</u>	<u>5,192</u>
3000 Fund Balance - September 30 (Ending)	<u>\$ 18,892</u>	<u>\$ 9,937</u>	<u>\$ 49,964</u>	<u>\$ 6,922</u>

237 Courthouse Security Fund	238 Abandoned Vehicle Fund	240 Law Library Fund	241 Lease Fund	260 Hot Check Fund	262 Estray Fund	274 Homeland Security 2007 Fund	291 Operation Stonegarden 2011 Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
14,885	7,086	1,504	2,989	135	3,951	-	-
<u>14,885</u>	<u>7,086</u>	<u>1,504</u>	<u>2,989</u>	<u>135</u>	<u>3,951</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	3,224	-	-
1,238	-	1,924	-	-	-	-	-
-	19,794	-	2,425	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	400	-	-	-	-	-	-
<u>1,238</u>	<u>20,194</u>	<u>1,924</u>	<u>2,425</u>	<u>-</u>	<u>3,224</u>	<u>-</u>	<u>-</u>
13,647	(13,108)	(420)	564	135	727	-	-
<u>6,137</u>	<u>34,508</u>	<u>4,463</u>	<u>3,229</u>	<u>2,513</u>	<u>5,483</u>	<u>-</u>	<u>-</u>
<u>\$ 19,784</u>	<u>\$ 21,400</u>	<u>\$ 4,043</u>	<u>\$ 3,793</u>	<u>\$ 2,648</u>	<u>\$ 6,210</u>	<u>\$ -</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, 2018

Data Control Codes	292 Operation Stonegarden 2012 Fund	294 CTIF Grant Fund	295 Ramp Grant Fund	296 CDBG #7215409 Fund
REVENUES:				
Taxes:				
5110 Property Taxes	\$ -	\$ -	\$ -	\$ -
5300 Intergovernmental Revenue and Grants	-	8,453	21,243	22,192
5400 Charges for Services	-	-	-	-
5020 Total Revenues	<u>-</u>	<u>8,453</u>	<u>21,243</u>	<u>22,192</u>
EXPENDITURES:				
Current:				
0100 General Government	-	-	-	-
0120 Judicial	-	-	-	-
0200 Public Safety	-	-	-	-
0300 Public Works	-	8,453	21,243	22,192
Debt Service:				
0710 Principal on Debt	-	-	-	-
0720 Interest on Debt	-	-	-	-
Capital Outlay:				
0800 Capital Outlay	-	-	-	-
6030 Total Expenditures	<u>-</u>	<u>8,453</u>	<u>21,243</u>	<u>22,192</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>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

297 CDBG #7217380 Fund	298 CDBG #7216045 Fund	299 OOG Grant #3449501 Fund	Total Nonmajor Special Revenue Funds	570 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 280,582	\$ 280,582
9,075	31,725	6,668	99,356	-	99,356
-	-	-	51,185	141	51,326
<u>9,075</u>	<u>31,725</u>	<u>6,668</u>	<u>150,541</u>	<u>280,723</u>	<u>431,264</u>
-	-	-	8,557	-	8,557
-	-	-	3,162	-	3,162
-	-	-	28,331	-	28,331
9,075	31,725	-	92,688	-	92,688
-	-	-	-	252,000	252,000
-	-	-	-	14,007	14,007
-	-	6,668	11,122	-	11,122
<u>9,075</u>	<u>31,725</u>	<u>6,668</u>	<u>143,860</u>	<u>266,007</u>	<u>409,867</u>
-	-	-	6,681	14,716	21,397
-	-	-	136,912	151,484	288,396
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,593</u>	<u>\$ 166,200</u>	<u>\$ 309,793</u>

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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, 2018, and the related notes to the financial statements, which collectively comprise Presidio County, Texas' basic financial statements and have issued our report thereon dated May 12, 2020. Our report qualifies the opinion on the governmental activities since Presidio County has not yet obtained an actuarial valuation to calculate the amounts related to its other post-employment benefit plan and therefore, has not recorded the effect in the governmental activities.

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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that 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 questioned costs as items 2018-001 and 2018-002 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 questioned costs as items 2018-003 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, and contracts, 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.

Gilson Ruddock Patterson LLC

El Paso, Texas
May 12, 2020

PRESIDIO COUNTY, TEXAS

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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:

Internal control over financial reporting:

- Were significant deficiencies in internal control disclosed? Yes, 2018-003
- Were material weaknesses in internal control disclosed? Yes, 2018-001 and 2018-002

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, 2018

FINANCIAL STATEMENT FINDING

2018-001 - 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.

2018-002 - 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, 2018

FINANCIAL STATEMENT FINDING (Continued)

2018-003 - 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 FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

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

JUDGE CINDERELA R. GUEVARA



P.O. Box 606, Marfa, TX 79843

300 North Highland Ave, Marfa, TX 79843

Corrective Action Plan

Finding 2018-001 – 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.

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 Patricia Roach, County Treasurer Frances Garcia, Justice of the Peace – Pct #1, Judge David Beebe and Justice of the Peace – Pct #2, Judge Juanita Bishop.

Estimated Date of Completion: Fall 2020

Finding 2018-002 – 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.

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 Patricia Roach and County Treasurer Frances Garcia

Estimated Date of Completion: Summer 2020

Finding 2018-003 – 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.

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 Garcia and Golf Course Manager Ernest Villareal

Estimated Date of Completion: Summer 2020