

Reeves County, Texas

Annual Financial Report

For the Year Ended December 31, 2019



Reeves County, Texas
 Annual Financial Report
 For the Year Ended December 31, 2019
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Financial Section

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Independent Auditor's Report

To the Honorable Judge and
Commissioners' Court of Reeves County,
Reeves 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 Reeves County, Texas (the County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The County's 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 controls. 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 (1) unmodified audit opinion on the major governmental funds and aggregate remaining fund information; and (2) qualified audit opinion on the governmental activities, business type activities, and law enforcement fund.

The Honorable Judge and Members of the
Commissioners' Court of Reeves County

Basis for Qualified Opinions on the Governmental Activities, Business-type Activities, and Law Enforcement Fund

Management has not implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 requires employers to recognize assets and/or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses for post-employment benefits other than pensions (OPEBs) provided to their employees. Recognition of these items is required in financial statements prepared using the economic resources measurement focus and accrual basis of accounting. GASB 75 also establishes the methods and assumptions that are required to be used in the measurement of these items, and addresses note disclosure requirements. As GASB 75 has not been implemented, these items and the related required note disclosures have not been recognized and included in the County's financial statements. The amount by which this departure would affect the assets, liabilities, deferred outflows of resources, deferred inflows of resources, net position, and change in net position of the governmental activities, business-type activities, and law enforcement fund has not been determined.

Qualified Opinions on the Governmental Activities, Business-type Activities, and Law Enforcement Fund

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinions paragraph on the governmental activities, business-type activities, and law enforcement fund, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and law enforcement fund of Reeves County, Texas, as of December 31, 2019, 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.

Unmodified Opinions on the Major Governmental Funds and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major governmental funds and the aggregate remaining fund information of Reeves County, Texas, as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Texas County District Retirement System Schedule of Changes in the Employer's Net Pension Liability and Related Ratios, the Texas County Retirement System Schedule of Employer Contributions, and budgetary comparison information as shown in the table of contents 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 an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Honorable Judge and Members of the
Commissioners' Court of Reeves County

Management has omitted the GASB 75 required supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The individual and combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements and the Schedule of Expenditures of State Awards, as required by the audit requirements of the Uniform Grant Management standards issued by the Texas Comptroller of Public Accounts, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 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 October 13, 2020, on our consideration of Reeves County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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 the County's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
October 13, 2020

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Management's Discussion and Analysis

As management of Reeves County (the County), we offer readers of the County's financial statements this overview and analysis of the financial activities of the County for the year ended December 31, 2019. The Management's Discussion and Analysis (MD&A) should be read in conjunction with the basic financial statements and the accompanying notes to those financial statements.

Financial Highlights

- At year-end, net position totaled \$169,441,264, an increase of \$24,626,629 from previous year. Of this amount, \$46,418,109 (*unrestricted net position*) may be used to meet the County's ongoing obligations.
- As of the close of the current year, the County's governmental funds reported combined ending fund balances of \$34,091,909, an increase of \$2,937,246 in comparison with the prior year. Approximately \$30,244,463 of this total amount, 89 percent, is *available for spending* at the government's discretion.
- At the end of the current year, unassigned fund balance for the general fund was \$30,244,463 or 94 percent of total general fund expenditures.

Overview of the Financial Statements

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

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private sector business. They present the financial picture of the County from an economic resource measurement focus using the accrual basis of accounting. These statements include all assets of the County, including infrastructure, as well as all liabilities, including long-term debt. Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The statement of net position presents information of all of the County's assets and liabilities, with the difference between the two reported as net position. Increases or decreases in net position contrasted with budgetary decisions should serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues, governmental activities, from other business functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the County include general government, judicial, financial administration, corrections, law enforcement, health and welfare, fire protection, culture and recreation, County library, maintenance, conservation, public service, and highway and streets. The business-type activities of the County include the Law Enforcement operations and internal service activity.

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

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

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

The County maintains 28 individual governmental funds, excluding fiduciary funds, of which 26 are special revenue funds and the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, and the Road and Bridge Fund, which are classified as major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The governmental fund financial statements can be found on pages 18 through 21 of this report.

The County adopts an annual appropriated budget for its General Fund and Road and Bridge Fund. Budgetary comparison statements, which are considered required supplementary information, have been provided for these funds to demonstrate compliance with this budget on pages 66 through 68.

Proprietary Funds. The County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses Enterprise funds to account for the operations of the Law Enforcement Fund and the RCDC Improvements, Bond Trustee fund. Internal service funds, a component of proprietary funds, are used to report activities that provide supplies and services for other programs and activities – such as the County's self-funded health insurance fund. Because these services predominantly benefit business-type rather than governmental functions, the Internal Service Funds are reported with business-type activities in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 22 through 24 of this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Law Enforcement operations, which is considered to be major funds of the County.

Fiduciary Funds. Fiduciary funds are used to account for resources held by the County in a trustee capacity or as an agent for other governmental units. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's basic programs. The basic fiduciary fund financial statements can be found on page 25 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 29 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's pension benefits to its employees. This information can be found on pages 64 through 65.

This report also presents certain required supplementary information concerning the general fund and major special revenue fund budgetary schedules to also include notes to the supplementary information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining fund statements can be found on pages 72 through 87.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as useful indicators of the County's financial position. In the case of the County, assets exceeded liabilities by at the close of the current year.

Reeves County, Texas's Net Position

	Governmental Activities		Business Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 132,914,312	\$ 80,263,656	\$ 13,205,458	40,186,727	\$ 146,119,770	\$ 120,450,383
Capital assets, net of accumulated depreciation	42,148,953	28,415,766	86,448,182	88,011,393	128,597,135	116,427,159
Total assets	175,063,265	108,679,422	99,653,640	128,198,120	274,716,905	236,877,542
Total deferred outflows of resources	3,169,656	171,005	3,999,482	1,667,100	7,169,138	1,838,105
Unearned revenue - property taxes	92,814,870	40,836,755	-	-	92,814,870	40,836,755
Other liabilities	1,514,011	3,282,932	3,304,522	1,769,165	4,818,533	5,052,097
Long-term liabilities outstanding	6,519,682	8,011,020	6,085,528	35,683,129	12,605,210	43,694,149
Total liabilities	100,848,563	52,130,707	9,390,050	37,452,294	110,238,613	89,583,001
Total deferred inflows of resources	996,134	458,337	1,210,032	3,859,674	2,206,166	4,318,011
Net position:						
Net investment in capital assets	35,746,167	20,545,544	83,724,657	69,454,462	119,470,824	90,000,006
Restricted	3,552,331	7,041,745	-	-	3,552,331	7,041,745
Unrestricted	37,089,726	28,674,094	9,328,383	19,098,790	46,418,109	47,772,884
Total net position	\$ 76,388,224	\$ 56,261,383	\$ 93,053,040	\$ 88,553,252	\$ 169,441,264	\$ 144,814,635

The County's net position that represents resources that are subject to external restrictions on how they may be used at the close of this year were \$3,552,331. The unrestricted net position, \$46,418,109 may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in Net Position

Governmental activities increased the County's net position by \$20,126,841. Key elements of this increase were due to the property taxes and transfers in the current year. Business-type activities increased the County's net position by \$4,499,788. This increase in business-type activities includes the increase in the law enforcement net position balance of \$11,799,176 which includes a transfer of funds from the County's internal service health insurance fund of \$8,159,804 and transfers from governmental funds of \$17,478,073. Business-type activities also includes a decrease in the business-type activities portion of the internal service health insurance fund balance of \$7,299,388.

Reeves County, Texas's Changes in Net Position

	Governmental Activities		Business Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 6,920,935	\$ 5,343,668	\$ 28,411,391	\$ 25,308,906	\$ 35,332,326	\$ 30,652,574
Operating grants and contributions	113,549	383,804	-	-	113,549	383,804
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Taxes	61,044,414	29,876,946	-	-	61,044,414	29,876,946
Investment Earnings	1,358,827	705,239	193,294	310,130	1,552,121	1,015,369
Gain on involuntary conversion	-	203,814	-	567,619	-	771,433
Miscellaneous Revenues	1,001,013	793,708	-	1,422,069	1,001,013	2,215,777
Transfers	(17,478,073)	(3,000,000)	17,478,073	3,000,000	-	-
Total revenues	52,960,665	34,307,179	46,082,758	30,608,724	99,043,423	64,915,903
Expenses						
General government	1,500,838	8,144,222	-	-	1,500,838	8,144,222
Judicial	1,697,269	1,937,095	-	-	1,697,269	1,937,095
Financial administration	980,995	794,463	-	-	980,995	794,463
Corrections	363,120	295,311	-	-	363,120	295,311
Law enforcement	6,727,854	4,023,500	41,582,970	29,115,391	48,310,824	33,138,891
Health and welfare	344,730	264,236	-	-	344,730	264,236
Fire protections	514,000	212,375	-	-	514,000	212,375
Cultural and recreation	2,191,235	1,350,571	-	-	2,191,235	1,350,571
County library	272,115	221,219	-	-	272,115	221,219
Maintenance	3,206,062	1,536,553	-	-	3,206,062	1,536,553
Conservation	1,936	1,936	-	-	1,936	1,936
Public service	1,087,079	636,855	-	-	1,087,079	636,855
Highway and streets	13,691,361	8,028,979	-	-	13,691,361	8,028,979
Debt service	255,230	296,995	-	-	255,230	296,995
Total expenses	32,833,824	27,744,310	41,582,970	29,115,391	74,416,794	56,859,701
Change in net position	20,126,841	6,562,869	4,499,788	1,493,333	24,626,629	8,056,202
Net position - beginning, as previously reported	56,261,383	50,211,570	88,553,252	88,150,164	144,814,635	138,361,734
Prior period statement of net position adjustment	-	(513,056)	-	(1,090,245)	-	(1,603,301)
Net position-beginning, as restated	56,261,383	49,698,514	88,553,252	87,059,919	144,814,635	136,758,433
Net position-ending	\$ 76,388,224	\$ 56,261,383	\$ 93,053,040	\$ 88,553,252	\$ 169,441,264	\$ 144,814,635

Financial Analysis of the Governmental Funds

As noted earlier, Reeves County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the County's fiscal management and accountability.

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

Governmental Funds. As of the end of the current year, the County's governmental funds reported combined ending fund balances of \$34,091,909, an increase of \$2,937,246 in comparison with the prior year. Approximately \$30,244,463 of this total amount, 89%, constitutes unassigned fund balance.

The general fund balance increased \$6,426,660 with a ending fund balance of \$30,539,578. This increase was primarily due to more property tax revenues then operating expenditures.

Road and bridge fund had a ending fund balance of \$520,124 which was a decrease of \$3,751,082 which was primarily due to a transfer into the law enforcement center for capital and maintenance projects.

Nonmajor fund balance remained consistent from prior year with an ending fund balance of \$3,032,207 which is all restricted for specific purposes.

Proprietary Funds. The County's law enforcement fund balance at the end of year was \$92,900,365 which was an increase of \$11,799,176. The change in net position is primarily due to a transfer in of funds.

The County's health self-insurance plan fund balance at the end of the year decreased \$7,537,397 primarily to a transfer of funds to the law enforcement fund for reimbursements of funds paid in prior year. The County's health self-insurance ending fund balance of \$1,380,039 is split between the governmental and business-type activities with the assets and liabilities being recorded in governmental activities balance sheet and an internal balance of \$152,675 moved from governmental activities to business-type activities.

General Fund Budgetary Highlights

Differences between the actual cash basis and the final amended budget are briefly summarized as follows:

- Actual revenue for 2019 were \$2,529,169 more than the final amended budget.
- Actual expenditures for 2019 were \$20,357,456 less than the final amended budget.
- Other financial sources and uses were \$2,900,450 more than the final amended budget.

This resulted in a net increase in the general fund balance budget basis for the year of \$25,787,075.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets as of December 31, 2019, for its governmental activities as of December 31, 2019, amounts to \$42,148,953 net of accumulated depreciation) and for its business-type activities amount to \$86,448,182 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings and improvements, machinery and equipment, automotive equipment and infrastructure.

Reeves County, Texas's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 1,876,405	\$ 1,876,405	\$ 5,330	\$ 5,330	\$ 1,881,735	\$ 1,881,735
Construction in progress	12,018,357	3,964,836	-	162,885	12,018,357	4,127,721
Building and improvements	16,812,234	13,449,603	85,505,886	87,468,497	102,318,120	100,918,100
Machinery and equipment	7,593,836	5,955,197	816,395	316,268	8,410,231	6,271,465
Automotive equipment	2,094,543	1,277,216	120,571	58,413	2,215,114	1,335,629
Infrastructure	1,753,578	1,892,509	-	-	1,753,578	1,892,509
Totals	\$ 42,148,953	\$ 28,415,766	\$ 86,448,182	\$ 88,011,393	\$ 128,597,135	\$ 116,427,159

Additional information on the Reeves County's capital assets can be found in Note 7.

Long-term Debt. At the end of the current year, the County had total debt outstanding of for governmental activities and for business-type activities. The County's debt is comprised as follows:

Reeves County, Texas's Outstanding Long-term Debt

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019
Governmental activities:				
Revenue bond	\$ 2,820,000	\$ -	\$ 125,000	\$ 2,695,000
Certificate of obligation	2,815,000	-	440,000	2,375,000
Notes payable	920,451	-	305,525	614,926
Capital lease obligations	1,314,771	-	596,911	717,860
Compensated absences	140,798	-	23,902	116,896
Total governmental activities	\$ 8,011,020	\$ -	\$ 1,491,338	\$ 6,519,682
Business-type activities:				
Series 2010	11,600,000	-	11,600,000	-
Series 2010A	16,905,000	-	16,905,000	-
Series 2012	7,880,000	-	1,710,000	6,170,000
Unamortized discount	(823,545)	642,237	-	(181,308)
Compensated absences	121,674	-	24,838	96,836
Total business-type activities	\$ 35,683,129	\$ 642,237	\$ 30,239,838	\$ 6,085,528

Additional information on the County's long-term debt can be found in Note 9.

Economic Factors and Next Year's Budgets and Rates

1. The average unemployment rate for Reeves County for 2019 was approximately 1.6%. This is in-line with the state's average unemployment rate of 3.7% and in line with the national average rate of 3.5%.
2. The oil and gas industry in the region is still stable. There continue to be drilling activity in the region as well as new homes and new hotels. As oil prices have begun to stabilize this has not had a significant impact on Reeves County.

All of these factors were considered in preparing the Reeves County's budget for 2020.

Requests for Information

This financial report is designed to provide a general overview of Reeves County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Reeves County, 100 E. 4th Street, Pecos, Texas 79772.

Financial Statements

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Reeves County, Texas
Statement of Net Position
December 31, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 9,322,225	106,856	\$ 9,429,081
Investments	28,476,752	-	28,476,752
Receivables, net	86,950,097	6,784,637	93,734,734
Due from other government	5,159,638	-	5,159,638
Internal balances	42,664	(42,664)	-
Prepaid	295,115	-	295,115
Restricted assets:			
Investments	-	3,115,954	3,115,954
Net pension, asset	2,667,821	3,240,675	5,908,496
Capital assets, not being depreciated:			
Land	1,876,405	5,330	1,881,735
Construction in progress	12,018,357	-	12,018,357
Capital assets, net of accumulated depreciation:			
Building and improvements	16,812,234	85,505,886	102,318,120
Machinery and equipment	7,593,836	816,395	8,410,231
Automotive equipment	2,094,543	120,571	2,215,114
Infrastructure	1,753,578	-	1,753,578
Total assets	175,063,265	99,653,640	274,716,905
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow from bond refunding difference	-	149,213	149,213
Deferred outflow of resources - net pension asset	3,169,656	3,850,269	7,019,925
Total deferred outflows of resources	3,169,656	3,999,482	7,169,138
LIABILITIES			
Accounts payable and other current liabilities	1,407,844	3,304,522	4,712,366
Estimated claims	106,167	-	106,167
Unearned revenue - property taxes	92,814,870	-	92,814,870
Noncurrent liabilities:			
Due within one year	1,070,184	1,800,000	2,870,184
Due in more than one year	5,449,498	4,285,528	9,735,026
Total liabilities	100,848,563	9,390,050	110,238,613
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow of resources - net pension asset	996,134	1,210,032	2,206,166
Total deferred inflows of resources	996,134	1,210,032	2,206,166
NET POSITION			
Net invested in capital assets	35,746,167	83,724,657	119,470,824
Restricted	3,552,331	-	3,552,331
Unrestricted	37,089,726	9,328,383	46,418,109
TOTAL NET POSITION	\$ 76,388,224	\$ 93,053,040	\$ 169,441,264

The Notes to the Financial Statements are an integral part of this statement.

Reeves County, Texas
Statement of Activities
For the Year Ended December 31, 2019

Function/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental activities:				
General government	\$ 1,500,838	\$ 2,919,225	\$ -	\$ -
Judicial	1,697,269	679,719	-	-
Financial administration	980,995	-	-	-
Corrections	363,120	39,855	-	-
Law enforcement	6,727,854	500,922	7,365	-
Health and welfare	344,730	1,250,724	76,583	-
Fire protections	514,000	-	-	-
Cultural and recreation	2,191,235	412,897	-	-
County library	272,115	35,176	-	-
Maintenance	3,206,062	-	-	-
Conservation	1,936	-	-	-
Public service	1,087,079	-	-	-
Highway and streets	13,691,361	1,082,417	29,601	-
Debt service	255,230	-	-	-
Total governmental activities	32,833,824	6,920,935	113,549	-
Business-type activities:				
Business Type Activities	41,582,970	28,411,391	-	-
Total business-type activities	41,582,970	28,411,391	-	-
TOTAL PRIMARY GOVERNMENT	\$ 74,416,794	\$ 35,332,326	\$ 113,549	\$ -

General revenues:

- Taxes
- Investment Earnings
- Miscellaneous Revenues
- Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

NET POSITION, ENDING

The Notes to the Financial Statements are an integral part of this statement.

**Net (Expenses) Revenue and
Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ 1,418,387	\$ -	\$ 1,418,387
(1,017,550)	-	(1,017,550)
(980,995)	-	(980,995)
(323,265)	-	(323,265)
(6,219,567)	-	(6,219,567)
982,577	-	982,577
(514,000)	-	(514,000)
(1,778,338)	-	(1,778,338)
(236,939)	-	(236,939)
(3,206,062)	-	(3,206,062)
(1,936)	-	(1,936)
(1,087,079)	-	(1,087,079)
(12,579,343)	-	(12,579,343)
(255,230)	-	(255,230)
(25,799,340)	-	(25,799,340)
-	(13,171,579)	(13,171,579)
-	(13,171,579)	(13,171,579)
(25,799,340)	(13,171,579)	(38,970,919)
61,044,414	-	61,044,414
1,358,827	193,294	1,552,121
1,001,013	-	1,001,013
(17,478,073)	17,478,073	-
45,926,181	17,671,367	63,597,548
20,126,841	4,499,788	24,626,629
56,261,383	88,553,252	144,814,635
\$ 76,388,224	\$ 93,053,040	\$ 169,441,264

Reeves County, Texas
 Balance Sheet – Governmental Funds
 December 31, 2019

	<u>General Fund</u>	<u>Road and Bridge Special Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 3,250,154	\$ 1,872,473	\$ 2,713,392	\$ 7,836,019
Investments	28,221,466	-	255,286	28,476,752
Interfund receivables	787,587	-	4,744	792,331
Due from other governments	3,170,683	1,988,955	-	5,159,638
Receivables (net)				
Property taxes	52,907,631	33,188,711	-	86,096,342
Other	773,067	-	80,688	853,755
Prepaid	295,115	-	-	295,115
TOTAL ASSETS	<u>\$ 89,405,703</u>	<u>\$ 37,050,139</u>	<u>\$ 3,054,110</u>	<u>\$ 129,509,952</u>
LIABILITIES AND FUND BALANCES				
Accounts payable	\$ 1,008,091	\$ 92,803	\$ 14,844	\$ 1,115,738
Accrued payroll	223,419	61,628	7,059	292,106
Interfund payable	-	596,992	-	596,992
Unearned revenue - property taxes	57,036,278	35,778,592	-	92,814,870
Total liabilities	58,267,788	36,530,015	21,903	94,819,706
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - other revenues	598,337	-	-	598,337
Total deferred inflows of resources	598,337	-	-	598,337
FUND BALANCES				
Nonspendable				
Prepaid	295,115	-	-	295,115
Restricted:				
Road improvements	-	520,124	-	520,124
Legislation	-	-	975,834	975,834
Federal and state grants	-	-	125,086	125,086
Donations	-	-	1,931,287	1,931,287
Unassigned	30,244,463	-	-	30,244,463
Total fund balances	30,539,578	520,124	3,032,207	34,091,909
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 89,405,703</u>	<u>\$ 37,050,139</u>	<u>\$ 3,054,110</u>	<u>\$ 129,509,952</u>

The Notes to the Financial Statements are an integral part of this statement.

Reeves County, Texas

Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds December 31, 2019

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 34,091,909

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The governmental capital assets at year-end consist of:

Governmental capital assets costs	54,794,899	
Accumulated depreciation of governmental capital assets	(12,645,946)	42,148,953

Internal service funds are used by management to account for the self-insurance fund of the government. The assets and liabilities of the internal service fund are included in business-type activities in the statement of net position, and only a small portion is allocated to governmental activities.		1,227,364
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Certain assets, such as fines and fees receivable \$1,602,615 netted with allowance of uncollections of \$1,004,278, are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds		598,337
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Liabilities at year-end consist of:

Bonds payable	(5,070,000)	
Notes payable	(614,926)	
Capital lease obligations	(717,860)	
Compensated absences	(116,896)	(6,519,682)

Some assets, deferred outflows of resources, liabilities and deferred inflows that applies to a future period(s) and will not be recognized as an outflow of resources (expense) or as an inflow of resources (revenue) until that time.

Net pension asset	2,667,821	
Deferred outflows of resources - net pension asset	3,169,656	
Deferred inflows of resources - net pension asset	(996,134)	4,841,343

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 76,388,224

Reeves County, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds For the Year Ended December 31, 2019

	General Fund	Road and Bridge Special Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 37,809,888	\$ 16,608,626	\$ -	\$ 54,418,514
Fines and forfeitures	2,657,293	1,059,231	402,318	4,118,842
Intergovernmental	57,490	6,625,900	219,922	6,903,312
Charges for services	1,250	6,828	1,556,806	1,564,884
Interest	874,415	329,022	72,792	1,276,229
Other	1,463,778	6,458	413,708	1,883,944
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	42,864,114	24,636,065	2,665,546	70,165,725
EXPENDITURES				
Current:				
General government	2,523,753	-	153,715	2,677,468
Judicial	1,820,326	-	467,889	2,288,215
Financial Management	1,060,875	-	-	1,060,875
Corrections	3,951	-	368,875	372,826
Law enforcement	6,156,973	-	161,127	6,318,100
Health and welfare	332,265	-	4,553	336,818
Fire protection	514,000	-	-	514,000
Culture and recreation	1,986,638	-	-	1,986,638
County library	266,545	-	-	266,545
Maintenance	3,198,223	-	-	3,198,223
Conservation	1,936	-	-	1,936
Public service	899,437	-	193,019	1,092,456
Highways and streets	-	12,928,374	-	12,928,374
Capital outlay	12,689,628	2,724,830	441,720	15,856,178
Debt service:				
Principal	591,817	750,419	125,000	1,467,236
Interest	89,249	49,344	116,837	255,430
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	32,135,616	16,452,967	2,032,735	50,621,318
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of revenues over expenditures	10,728,498	8,183,098	632,811	19,544,407
OTHER FINANCING SOURCES (USES)				
Transfers in	31,787	25,000	392,580	449,367
Transfers out	(5,204,537)	(11,959,180)	(763,723)	(17,927,440)
Proceeds from insurance	870,912	-	-	870,912
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(4,301,838)	(11,934,180)	(371,143)	(16,607,161)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	6,426,660	(3,751,082)	261,668	2,937,246
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	24,112,918	4,271,206	2,770,539	31,154,663
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, beginning as restated	24,112,918	4,271,206	2,770,539	31,154,663
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCE, END OF YEAR	<u><u>\$ 30,539,578</u></u>	<u><u>\$ 520,124</u></u>	<u><u>\$ 3,032,207</u></u>	<u><u>\$ 34,091,909</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Reeves County, Texas

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities – Governmental Funds For the Year Ended December 31, 2019

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 2,937,246

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense and the disposal of capital assets reduce the proceeds from sale of capital assets. This is the amount by which capital outlay exceeded depreciation and disposal of capital assets. 13,733,187

Revenues in the statement activities that do not provide current financial resources and are not reported as revenue in the funds. The County's fines and fees receivable net of allowance increased \$293,556 from prior year which is recorded as revenue on statement of activities. The County also received \$870,991 in prior year insurance receivables and \$103,062 in preservation fees receivables during fiscal year 2019 that was recorded as revenue on the statement of activities in prior year. (680,497)

Current year long-term debt principal payments are expenditures in the fund financial statements, but are shown as reductions on long-term debt in the government-wide financial statements. Current year proceeds from issuance of debt are shown as revenue in the fund financial statements but are reported as an increase in long-term debt in the government-wide financial statements. 1,467,436

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. 2,907,478

Internal service funds are used by management to charge the costs of self-insurance in individual funds. The change in net position of the internal service funds are included in business-type activities in the statement of activities. (238,009)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES \$ 20,126,841

Reeves County, Texas
Statement of Net Position
Proprietary Funds
December 31, 2019

	<u>Business-type Activities</u>	
	<u>Law Enforcement</u>	<u>Internal Service Funds</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 106,856	\$ 1,486,206
Accounts receivable - trade	6,784,637	-
Restricted assets:		
Investments	3,115,954	-
Total current assets	10,007,447	1,486,206
Noncurrent assets:		
Property, plant and equipment:		
Land	5,330	-
Buildings and investments	138,435,408	-
Automotive equipment	464,152	-
Machinery and equipment	6,928,133	-
Less:		
Accumulated depreciation	(59,384,841)	-
Net property, plant and equipment	86,448,182	-
Net pension asset	3,240,675	-
Total noncurrent assets	89,688,857	-
Total assets	99,696,304	1,486,206
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	149,213	-
Deferred outflow of resources - net pension asset	3,850,269	-
Total deferred outflows of resources	3,999,482	-
LIABILITIES		
Current liabilities:		
Accounts payable - trade	2,789,088	-
Accrued payroll	489,432	-
Interfund payables	195,339	-
Accrued interest	26,002	-
Current portion of long term debt	1,800,000	-
Estimated health claims payable	-	106,167
Total current liabilities	5,299,861	106,167
Noncurrent liabilities:		
Accrued compensated absences	96,836	-
Long term debt, net	4,188,692	-
Total noncurrent liabilities	4,285,528	-
Total liabilities	9,585,389	106,167
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources - net pension asset	1,210,032	-
Total deferred inflows of resources	1,210,032	-
NET POSITION		
Net investment in capital assets	83,724,657	-
Unrestricted	9,175,708	1,380,039
Total net position	<u>\$ 92,900,365</u>	<u>\$ 1,380,039</u>
RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF NET POSITION		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	152,675	
TOTAL NET POSITION	<u>\$ 93,053,040</u>	

The Notes to the Financial Statements are an integral part of this statement.

Reeves County, Texas
Statement of Revenues, Expenses and
Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities	
	Law Enforcement	Internal Service Funds
OPERATING REVENUES		
Charges for services	\$ 28,411,391	\$ 3,250,786
Total operating revenues	28,411,391	3,250,786
OPERATING EXPENSES		
Salaries and benefits	19,461,381	-
Supplies	6,857,597	-
Contractual services	900,497	-
Equipment	707,298	-
Utilities	2,393,420	-
Insurance	1,178,782	-
Repairs and maintenance	3,457,916	-
Management fees	1,805,593	-
Depreciation expense	3,596,945	-
Amortization expense	720,085	103,567
Claims	-	2,605,149
Other operating expenses	209,142	2,261
Total operating expenses	41,288,656	2,710,977
Operating income (loss)	(12,877,265)	539,809
NON-OPERATING REVENUES (EXPENSES)		
Interest earned on investments	193,294	82,598
Interest expense	(751,734)	-
Total non-operating revenues (expenses)	(558,440)	82,598
OTHER FINANCING SOURCES (USES)		
Transfers in	25,637,877	-
Transfers out	-	(8,159,804)
Other	(402,996)	-
Total other financing sources (uses)	25,234,881	(8,159,804)
Change in net position	11,799,176	(7,537,397)
Net position, beginning of year	81,101,189	8,917,436
NET POSITION, END OF YEAR	\$ 92,900,365	\$ 1,380,039
RECONCILIATION TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES		
Change in net position	\$ 11,799,176	\$ -
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds	(7,299,388)	-
CHANGE IN NET POSITION OF BUSINESS-TYPE ACTIVITIES	\$ 4,499,788	\$ -

The Notes to the Financial Statements are an integral part of this statement.

Reeves County, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities	
	Law Enforcement	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from charges	\$ 27,316,734	\$ -
Cash received from other funds for services	-	3,250,786
Cash paid to employees	(17,366,516)	-
Cash paid for goods and services	(15,980,209)	(2,702,384)
Net cash (used in) provided by operating activities	(6,029,991)	548,402
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in (out) from other funds, net	25,637,877	(8,159,804)
Other uses for noncapital financing cost	(402,996)	-
Increase (decrease) in interfund receivable / payable	(2,744,963)	3,000,000
Net cash provided by (used in) noncapital financing activities	22,489,918	(5,159,804)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on debt	(30,215,000)	-
Interest paid on debt	(919,101)	-
Acquisition and construction of capital assets	(2,033,734)	-
Net cash used in capital and related financial activities	(33,167,835)	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received on investments	193,294	82,598
Sale of \$17,372,654 of \$20,488,608 prior year investments to contribute to the County's defeasance of debt and transfer to operational cash	14,272,855	3,099,799
Net cash provided by investing activities	14,466,149	3,182,397
Net decrease in cash and cash equivalents	(2,241,759)	(1,429,005)
CASH AND CASH EQUIVALENTS, beginning of year	2,348,615	2,915,211
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 106,856	\$ 1,486,206
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Operating income (loss)	\$ (12,877,265)	\$ 539,809
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Depreciation of capital assets of \$3,596,945 and amortization of unamortized discounts of \$642,237 and deferred loss on refunding of \$77,848.	4,317,030	-
Pension expense net of current year contributions to plan	1,849,441	-
Accounts receivable	(1,094,657)	-
Accounts payable	1,530,036	-
Accrued payroll	270,262	-
Accrued compensated absences	(24,838)	-
Estimated health claim payable	-	8,593
Total adjustments	6,847,274	8,593
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (6,029,991)	\$ 548,402

The Notes to the Financial Statements are an integral part of this statement.

Reeves County, Texas
 Statement of Assets and Liabilities
 Agency Funds
 December 31, 2019

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 32,747,244
Investments	<u>26,921,979</u>
TOTAL ASSETS	<u><u>\$ 59,669,223</u></u>
LIABILITIES	
Due to other governments	\$ 19,399,627
Due to primary government	5,159,638
Due to beneficiaries	<u>35,109,958</u>
TOTAL LIABILITIES	<u><u>\$ 59,669,223</u></u>

The Notes to the Financial Statements are an integral part of this statement.

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Notes to the Financial Statements

Reeves County, Texas
Annual Financial Report
For the Year Ended December 31, 2019
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Reeves County, Texas

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

Reeves County, Texas (the County) is a body, corporate and political, created under Article IX, Section 1, of the Constitution of the State of Texas. The County operates under the state of Texas statutes, and provides such services as are authorized by state law to advance the welfare, health, morals, comfort, safety and convenience of the County and its inhabitants. The Commissioners' Court, consisting of four County Commissioners and the County Judge, as elected, is the policy making body of the County.

The financial statements of the County are prepared in accordance with generally accepted accounting principles applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative literature. The following is a summary of the more significant policies:

GASB requires that the basic financial statements and required supplementary information (RSI) for general purpose governments should consist of:

1. Management's Discussion and Analysis (MD&A)

MD&A is RSI presented before the basic financial statements that are essential to a user's understanding of the statements.

2. Basic Financial Statements

The basic financial statements, including notes to the financial statements that are essential to a user's understanding of the statements, are presented on two basic levels:

- a.** The government-wide level where all statements are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements present all assets, liabilities, revenues, expenses and gains and losses of the County and distinguish between governmental and Business-type activities of the County.
- b.** The fund level, where governmental fund statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting, and proprietary and fiduciary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. These statements focus on information about the County's major governmental and enterprise funds. Information presented about the County's funds at this level is similar to prior financial statements, with some modification to financial statement format as prescribed by GASB.

3. Required Supplementary Information

RSI, other than MD&A, includes budgetary comparison schedules for the General Fund and any major special revenue funds and other data, required by other GASB statements. The budgetary comparison schedules for General Fund and Road and Bridge Fund have been reported as part of the required supplementary information. The Capital Projects Fund does not adopt an annual budget but rather a budget covering the life of the respective projects. Pension related data and trend information is disclosed in Note 14.

Reeves County, Texas

Notes to the Financial Statements

A. Reporting Entity

Generally, accepted accounting principles require that these financial statements present the County (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both of the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. GASB states that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or its other component units. If these certain organizations were excluded, they would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed in this note are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Blended Component Unit

RCDC Improvements, Bond Trustee is a legally separate entity who is fiscally dependent on Reeves County and also provides services entirely to Reeves County. Reeves County owns the land in which the County leases the land and the RCDC improvements back from the Trustee in a lease-lease back transaction. The RCDC improvements and related certificates are assets and liabilities of the Trustee, which exceeded approximately \$92.9 million (approximately \$99.7 million in assets and \$9.6 million in related debt). The lease payments are used to service the debt of the certificates. The financial information for the blended component unit is included in the Law Enforcement Enterprise Fund.

The County and the GEO Group, Inc. entered into two different agreements to manage the RCDC facilities (RCDC 1 & 2 and RCDC 3). GEO shall manage RCDC in accordance with all County – BOP CAR 5 and BOP CAR 6 contract requirements, standards, and statutes applicable thereto. GEO shall also, if required under the terms of the County – BOP CAR 5 and BOP CAR 6 contracts, manage RCDC in accordance with applicable standards of the American Correctional Association and the Joint Commission on Accreditation of Health Care Organizations, and any other applicable terms and conditions of the County – BOP CAR 5 and BOP CAR 6 contract. GEO agrees that it shall be responsible for the performance of all duties required to be performed by the County under the terms of the County – BOP CAR 5 and BOP CAR 6 contracts, unless and insofar as the County has expressly undertaken such duties, either directly or through a subcontractor, in this agreement.

RCDC Units 1 & 2 open on October 1, 2019. Bureau of Prisons inmates were transitioned over from RCDC 3. RCDC Units 1 & 2, the building and grounds are currently being maintained by the County. The County has been working with outside vendors to procure new contract opportunities with Immigration and Customs Enforcement, as well as the U.S. Marshall's service.

Discrete Component Units

There are no discrete component units.

As a result of applying the above criteria for determining the reporting entity, certain organizations have been excluded from the County's financial statements.

Pecos Community Recreation Department – Reeves County appropriates funds to the Pecos Community Recreation Department to carry out its goals, and the County Judge appoints one representative to sit on the governing board of the Department. The County shares responsibility for this organization with other local governmental entities through an interlocal agreement.

Reeves County, Texas

Notes to the Financial Statements

District Attorney 143rd Judicial District – Reeves County appropriates funds to the District Attorney 143rd Judicial District to carry out its goals. The County has no financial, operational, or managerial control over this organization.

Reeves County Appraisal District – Reeves County appropriates funds to the Reeves County Appraisal District to carry out its goals. The Commissioners' Court appoints one representative to sit on the governing board of the District. The County has no operational or managerial control over this organization.

Senior Center of Pecos – Reeves County appropriates funds for the Senior Center of Pecos to help carry out its goals, but has no obligation to continue funding these activities. The County has no other financial, operational or managerial control over this organization. The County passed through a grant to the Center from the Permian Basin Regional Planning Commission. This grant only, is presented in the financial statements and not the complete operations of the Center.

B. Government-Wide and Fund Financial Statements

As previously discussed, the basic financial statements of the County are presented at two basic levels, the government-wide level and the fund level. These statements focus on the County as a whole at the government-wide level and on major funds at the fund level. The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities for the financial reporting entity of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The government-wide statement of net position reports all financial and capital resources of the County and is presented in an "assets plus deferred outflows minus liabilities minus deferred inflows equal net position" format with net position reported in the order of relative liquidity. Also, assets and liabilities are presented in relative order of liquidity with liabilities which have an average maturity of more than one year separated into the amount due within one year and the amount due in more than one year.

The government-wide statement of activities identifies the relative financial burden of each of the County's functions (General Government, Judicial, Financial Administration, Law Enforcement, Corrections, Health and Welfare, Fire Protection, Cultural and Recreation, County Library, Maintenance, Conservation, Public Service, and Highways and Streets) on the taxpayers by identifying direct expenses and the extent of self-support through program revenues. Direct expenses are clearly identifiable expenses that can be specifically associated with a function. Program revenues are revenues derived directly from the function or from other sources which reduce the net cost of the function to be financed from general government revenues. Program revenues are: 1) charges to customers who purchase, use, or directly benefit from services provided by a function and which are generated by that function, 2) grants and contributions restricted to operating requirements of a function and, 3) grants and contributions restricted to capital requirements of a function. Items such as taxes, investment earnings and non-specific grants are not included as program revenues but are instead reported as general revenues, which normally cover the net cost of a function.

Reeves County, Texas

Notes to the Financial Statements

The effect of internal service fund activities in the government-wide statements is eliminated to the extent possible to avoid the effect of "doubling up" internal service fund activity. Internal service funds report activities which provide goods or services to the financial reporting entity on a cost reimbursement basis. Any net profit or loss from these activities is allocated back to the function or segment that benefited from the goods or services provided based upon their proportionate benefit to the extent possible. Any residual net position of internal service funds is allocated between the governmental and the business-type activities at the entity-wide level.

Fund level financial statements are presented for governmental funds and proprietary funds with a focus on major funds, and fiduciary funds, which are excluded from the government-wide financial statements because they do not represent assets which can be used to support the County's programs. A major fund is defined by GASB Statements as a fund meeting certain specific asset, liability, revenue, or expenditure/expense criteria relative to all funds of that type and relative to the total for all governmental and enterprise funds combined.

Additionally, any fund deemed particularly important by the County may be reported as a major fund. The financial information for each major fund is presented in a separate column, with nonmajor funds aggregated and displayed in a single column. The fund level statements for proprietary funds also contain internal service fund. This information is presented in a separate column immediately to the right of the enterprise fund.

The focus of fiduciary funds is on net position and changes in net position. These funds report assets held in a trustee or agency capacity by the County for the benefit of others and cannot be used to support County activities.

C. Measurement Focus and Basis of Accounting

The government-wide statements and proprietary fund statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Exchange and exchange-like transactions, transactions in which the County gives or receives value and receives or gives equal value, that create revenues, expenses, gains, losses, assets or liabilities are recognized when the exchange occurs. Nonexchange transactions, transactions in which the County gives or receives value without receiving or giving equal value in exchange, that result in revenues, expenses, gains, losses, assets or liabilities are recognized in accordance with GASB Statements. The treatment of nonexchange transactions is grouped in four classes based upon the principal characteristics of the transaction and reported according to those characteristics. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Capital assets are reported as historical cost and depreciated, except for inexhaustible assets such as land, in accordance with the County's depreciation policy.

Governmental fund financial statements are reported using a current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, i.e., both measurable and available.

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. In the case of property taxes, available means due within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Grant revenues are considered to be available if they are to be received within one year. Expenditures are generally recorded when a liability is incurred. However, expenditures related to general long-term debt, compensated absences, and claims and judgments are recorded only when payment is due.

Reeves County, Texas

Notes to the Financial Statements

Property taxes, fines, licenses, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenue of the current period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Governmental fund level revenues which have been accrued based upon the susceptible to accrual concept are:

General Fund

Ad valorem taxes, interest and federal and state grant proceeds, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Special Revenue Funds

Federal and state grant proceeds and interest, except where such grants are expenditure driven and other requirements related to the grant have not been met.

Proprietary fund activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. This measurement focus includes all assets and liabilities on the balance sheet. Operating statements using this focus present a net total assets view of increases (revenues) and decreases (expenses) in the fund.

Enterprise fund operating statements distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally are the result of providing or delivering goods or services in association with the fund's principal on-going operations. The principal operating revenues of the County's Law Enforcement Center are charges of this type. Operating expenses include the costs of administration, sales, services, and depreciation.

Transactions resulting in non-operating revenues and expenses are normally created by such items as cash flows from capital and related financing activities, non-capital financing activities, investing activities, and include most non-exchange and exchange-like revenues.

Governmental Fund Types

The government reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the County. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Road and Bridge Fund

The Road and Bridge Fund are used to account for funds restricted for use in improving County highways and lateral streets and roadways.

Other Governmental Funds

The non-major governmental funds include:

Special Revenue Funds

The Special Revenue Funds account for revenues derived from earmarked revenue sources that are legally restricted to expenditures for a specific purpose.

Reeves County, Texas

Notes to the Financial Statements

Proprietary Fund Types

Enterprise Fund

The Enterprise Fund is used to account for those operations that are financed and operated in a manner similar to private business or where the Court has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal Service Funds

The County utilizes an Internal Service Fund to account for its health self-insurance plan. Sub-fund accounting is employed to maintain the integrity of the various self-insurance activities of the County. See Note 13 for additional discussion of the County's self-insurance plan.

Fiduciary Fund Type – Agency Funds

Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Agency Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Formal budgetary accounting is not required for Fiduciary Funds. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide financial statements.

D. Cash and Cash Equivalents

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.

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank, approved pledged securities 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's cash deposits at December 31, 2019, were not entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank. See Note 4.

E. Investments

The County's investments are stated at fair value, except for external pools. Fair value is based on quoted market prices as of the valuation date. Management's intent is to hold all investments to maturity and thereby recover the full value of the various investments made. The gain/loss resulting from valuation will be reported within the "Investment Income" account on the statement of revenue, expenditures and changes in fund balance (equity).

The portfolio did hold investments in external pools that are not SEC-registered. The external investment pool is:

TexPool

The State Comptroller of Public Accounts oversees TexPool the Texas Local government Investment Pool, but Federated Investors manage the daily operations of the pool under a contract with the Comptroller. TexPool operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

Reeves County, Texas

Notes to the Financial Statements

Money Market

A money market account (MMA) is a deposit account offered by a bank, which invests in government and corporate securities and pays the depositor interest based on current interest rates in the money markets.

Management's intent is to hold all investments to maturity and thereby recover the full value of the various investments made.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All trade and property tax receivables are shown net of an allowance for uncollectible amounts.

Taxes are levied on October 1, in conformity with Subtitle E, Texas Property Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before July 1 of the following year unless the two-payment option is available for paying taxes with the first half due November 30 and the second half due June 30 of the following year. Property taxes attach as an enforceable lien as of January 1 to secure the payment of all taxes, penalties, and interest ultimately imposed. The tax rate for the year ended December 31, 2019 for all purposes was \$0.49952 per \$100 valuation.

For government-wide financial statements, an allowance equal to 4% of the outstanding taxes at December 31, 2019, has been reported. The tax is levied based on the estimated market values as determined by the Reeves County Appraisal District.

For fund financial statements, property tax revenues are recognized when they become available. Available means then due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. This is no longer than sixty days after year-end. For fund financial statements, property taxes are reserved as uncollectible if not received within sixty days after the end of the year.

The total amount of the current levy (receivable and collected at yearend) along with the delinquent tax receivables which is less than the allowance for uncollected property taxes is deferred at both the fund and government-wide level.

G. Accumulated Compensated Absences

It is the County's policy to permit employees to accumulate a limited amount of earned, but unused vacation and compensatory time. No more than five days of accrued vacation may be carried over from year to year. Unused vacation will be paid to employees upon separation from the County's service. It is the County's policy that compensatory time shall not exceed 240 hours for regular employees and 480 hours for law enforcement employees. Total accumulated vacation and compensatory time at year-end was \$116,895 for governmental activities and \$96,836 for business-type activities.

Reeves County, Texas
Notes to the Financial Statements

H. Pensions

The County has a retirement plan covering substantially all of its employees. The plan is funded by making annual contributions equal to the amounts accrued for retirement expenses.

For purposes of measuring the net pension asset, pension related deferred outflows and inflows of resources, and pension expense, the County specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS) and additions to/deductions from the County's Fiduciary Net Position 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the County's Total Pension Asset is obtained from TCERS through a report prepared for the District by TCERS consulting actuary, Milliman, in compliance with GASB 68.

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. All capital assets are valued at their historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest incurred during the construction phase of capital assets for Business-type activities is capitalized as part of the value of the asset during the construction period.

Depreciable capital assets are depreciated using the straight-line method over the asset's estimated useful life as follows:

Buildings and improvements	25-50 years
Machinery and equipment	5-30 years
Automotive equipment	5-7 years
Infrastructure	15-35 years

J. Long-term Obligations

General Obligation Bonds and Certificates of Obligations which have been issued to fund capital projects of proprietary funds that are to be repaid with funds from proprietary fund assets are reported in the proprietary funds. Bonds payable are reported net of the associated premium or discount at the government-wide level and in the fund level proprietary fund statements.

The proprietary fund level statements defer bond premiums, discounts, and issuance costs and amortize these items over the life of the issue using the effective interest rate method. In the fund level statements, governmental fund types recognize these items in the current period.

Reeves County, Texas

Notes to the Financial Statements

K. Fund Equity

Fund Balance

In fund financial statements, fund balances are required to be reported according to the following classifications:

1. Nonspendable fund balance represents amounts that cannot be spend because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. Restricted fund balance represents amounts constrained to use by either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
3. Committed fund balance includes amounts constrained to specific purposes determined by a formal action of the County itself, using its highest level of decision-making authority (Commissioners' Court). To be reported as committed amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint. The County has no committed fund balance at December 31, 2019.
4. Assigned fund balance amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Intent can be expressed by the Commissioners' Court or by an official or body to which the Commissioners' Court delegates the authority. Assigned fund balance represents the remaining amount that is not restricted or committed in governmental funds other than the general fund, which is classified as unassigned. The County has no assigned fund balance at December 31, 2019.
5. Unassigned fund balance is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance.

The County's policy is to use restricted resources first, then unrestricted resources as they are needed. Within unrestricted fund balance, the committed amount should be used first, assigned amount next, and unassigned amount should be used last.

Net Position

Net position represents assets plus deferred outflows less liabilities less deferred inflows. Net position invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction, or improvements of those assets. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

M. Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omission and natural disasters. During 2019, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past year and there was only one settlement exceeding insurance coverage (by \$100,000) in the past three years.

Reeves County, Texas
Notes to the Financial Statements

N. Post-Employment Healthcare Benefits

Reeves County has not obtained the actuarially amount of Other Postemployment Benefits Obligation, and therefore has not reported the material liability or its potential impact in the governmental activities, business type activities, and the law enforcement fund liability and related expense.

Plan Description

Retired County employees and their dependents are eligible under certain conditions to elect continued coverage under the County's healthcare program upon retirement. The County currently contributes to the premium charged for such benefits for certain retirees. The County is self-insured for participating retirees and their dependents and claims are paid from current operating funds as incurred.

Historically, the decision to provide healthcare benefits and the level of subsidy for employees and retirees, has been made annually consistent with Chapter 17 of the County Code, which provides that the Reeves County Employee Health Benefit Fund may be altered from time to time or terminated by the County.

Funding Policy

The Commissioners' Court, as the governing body of the County, approves Other Postemployment Benefits (OPEB) on a year-to-year basis during the annual budget process and has not created a constitutionally valid obligation for OPEB beyond 2019. While retirees have statutory authority to purchase continuing healthcare on the otherwise subsidized retiree premiums. To be eligible for this benefit in years where the benefit is provided, one must be a County retiree or dependent of a County retiree. Based on the County's Plan only 75 retirees qualified for the 2019 Plan.

The County is self-insured for employee and retiree health care. During 2019, the County incurred \$2,611,142 in health insurance claims which includes actuarially determined claims incurred but not yet reported (IBNR).

In June 2004, GASB issued Statement No. 45, creating accounting standards for other postemployment benefits (OPEB) provided by governmental entities separately from a pension plan. This statement established standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and if applicable required supplemental information (RSI) in the financial reports of state and local governments. The County has not implemented the requirements of GASB Statement No. 45, which became effective for the County in 2019.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the County's Substantive Plan as defined by Chapter 2264 and include the types of benefits that the Commissioners' Court has approved for the year. Reeves County's Substantive Plan is the plan approved by the Commissioners' Court according to the laws and Constitution of the state of Texas.

The County provides post-employment health care benefits to retired employees that meet the rule of 80. Health insurance coverage is provided for eligible retirees until the retiree's death. The County finances the plan on a pay-as-you-go basis.

O. Federal and State Grant Entitlements

Grants, entitlements and shared revenues may be accounted for within any of the fund types. The purpose and requirements of each grant or entitlement are carefully analyzed to determine the proper fund type in which to record the related transactions. Grants and entitlements received for purposes normally financed through a particular fund type may be accounted for in that type provided that applicable legal restrictions can be appropriately satisfied.

Reeves County, Texas
 Notes to the Financial Statements

P. Subsequent Events

The County has evaluated events subsequent to December 31, 2019, the balance sheet date, through September 30, 2020, the date the financial statement were available to be issued.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position.

The governmental fund balance sheet includes as reconciliation between fund balance – total government funds and net position – governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The amount of this reconciliation was \$6,519,882.

Another element of that reconciliation states that “certain assets are not available to pay for current-period expenditures and therefore, are deferred funds”. The \$598,337 difference is due to other deferred revenues such as fines and forfeitures net of allowance for uncollectable receivables.

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation *between net changes in fund balances – total governmental funds and changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The detail of this \$13,733,187 difference is as follows:

Capital outlay	\$ 15,856,178
Disposal of capital assets	(35,958)
Depreciation expense	<u>(2,087,033)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u>\$ 13,733,187</u>

Another element of that reconciliation states “revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds (i.e. deferred revenues and earned but unavailable revenues)”. The \$680,497 difference is due to the decrease in other deferred revenues such as fines and forfeitures in the general fund net of allowance for uncollectible receivables.

Reeves County, Texas
Notes to the Financial Statements

Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The detail of this \$1,467,236 difference is as follows:

Principal repayments:	
Notes payable	\$ 305,525
Bonds	565,000
Capital lease obligations	<u>596,911</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	<u><u>\$ 1,467,436</u></u>

Another element of that reconciliation states that “some expenses and revenues reported in the statement of activities did not require the use of current financial resources and therefore are not reported as expenditures and revenues in governmental funds.” The detail of this \$2,907,478 difference is as follows:

Change in compensated absences	\$ 23,902
Change in net pension asset and related deferred inflow and outflow	<u>2,883,576</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position - governmental activities	<u><u>\$ 2,907,478</u></u>

Note 3. Stewardship, Compliance and Accountability

Excess of Expenditures over Appropriations

For the year ended December 31, 2019, the General fund and the Road and Bridge fund were within appropriations.

Note 4. Cash and Investments

For purposes of the statements of cash flows, the County considers highly liquid debt instruments, which have an original maturity of less than three months to be cash equivalents.

A. Deposits

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. The County’s deposits were not fully insured or collateralized as required by the state statutes at December 31, 2019. At year-end, the carrying amount of the County’s deposits was \$9,429,081 in cash and cash equivalents, and \$32,747,244 in agency funds and the respective bank balances totaled \$34,401,677. Of the total bank balance, the Federal Depository Insurance Corporation (FDIC) covered \$250,000 and \$18,000,000 was covered by collateral held by the pledging bank’s agent for the County in the County’s name, resulting in an under pledged amount of \$16,151,677.

Reeves County, Texas

Notes to the Financial Statements

Investment Policies

Under Texas law, County investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” Under Texas law and County policy, the County is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all County funds must be invested in investments that protect principal, are consistent with the operating requirements of the County, and yield the highest possible rate of return.

B. Investments

Funds of the County are invested in accordance with state law, IRS arbitrage regulations, investment policies, and written administrative procedures. The County’s objectives in managing its investment portfolios are as follows:

1. **Safety** – The first and foremost consideration of any custodian of public funds must be safety of the principal amount involved.
2. **Liquidity** – The County must have cash or “near cash” on hand to meet current obligations.
3. **Legality** – Any investment should clearly be legal under state law, county investment policy and IRS arbitrage regulations.
4. **Income** – While it is certainly desirable to show a high effective rate of return on invested funds, it is important to recognize that it is essential to keep every dollar working every day, even at a reduced rate of return.
5. **Flexibility** – This means not only the ability to convert an investment to cash, but also the option to convert a security to a higher rate of interest, a better maturity, or both. In addition, flexibility allows the use of various investment tools available.

During the year ended December 31, 2019, the County invested in mutual funds with TexPool Investment Pool.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

1. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
2. Level 2 inputs are inputs-other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
3. Level 3 inputs are unobservable inputs for an asset or liability.

Reeves County, Texas
Notes to the Financial Statements

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

TexPool is measured at amortized cost and is exempt for fair value reporting.

Money Market and Bank of New York Mellon CD classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

The County has recurring fair value measurements as presented in the table below. The County's investment balances and weighted average maturity of such investments are as follows:

	Fair Value	Level 1 Inputs	Percent of Total Investment	Weighed Average Maturity (Days)	Credit Credit Risk
Investments measured at amortized cost					
Texpool	\$ 25,476,503	\$ -	0%	35	AAAm - S & P
Investments by fair value level					
Corpotate Funds	3,000,000	3,000,000	49%	-	N/A
Bank of New York Mellon CD	3,116,203	3,116,203	51%	-	BBBm - S & P
Total	<u>\$ 31,592,706</u>	<u>\$ 6,116,203</u>	<u>100%</u>	<u>35</u>	
Total Portfolio Weighted Average				35	

Weighted average maturity of the portfolio by investment type reflected in the table is stated in days. For the investment pool, the recent weighted average is presented based on the statewide investment pool. The agency fund also includes TexPool investments of \$26,921,979.

Investments include restricted investments of \$3,115,954 in the Law Enforcement fund.

C. Interest Rate Risk

As required by the County's investment policy, the County minimizes the interest rate risk, related to the decline in market value of securities due to rising interest rates in the portfolio by: 1) limiting the effective duration of security types not to exceed three years with the exception of securities purchases related to reserve funds, 2) structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity, 3) monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act, and 4) investing operating funds primarily in shorter-term securities and government investment pools.

Reeves County, Texas
Notes to the Financial Statements

D. Credit Risk

In compliance with the County's investment policy, as of December 31, 2019, the County minimized credit risk losses due to default of a security issuer or backer, by: 1) limiting investments to the safest types of securities by purchasing investments in US Agencies Notes that were rated AAA, AAA, and Aaa by Standard & Poor's, Fitch and Moody's respectively, 2) pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the County will do business, and 3) diversifying the investment portfolio so that potential losses on individual securities were minimized.

Note 5. Receivables

Receivables as of December 31, 2019, for the County's individual major funds and non-major funds in the aggregate, including applicable allowances for uncollectible amounts, are as follows:

	General	Road and Bridge	Non Major Governmental	Law Enforcement	Total
Receivables:					
Property taxes	\$ 55,112,116	\$ 34,571,574	\$ -	\$ -	\$ 89,683,690
Accounts	185,835	-	-	6,784,637	6,970,472
Other	1,591,510	-	80,688	-	1,672,198
	<u>56,889,461</u>	<u>34,571,574</u>	<u>80,688</u>	<u>6,784,637</u>	<u>98,326,360</u>
Gross receivables	56,889,461	34,571,574	80,688	6,784,637	98,326,360
Less: allowance for uncollectible	<u>(3,208,763)</u>	<u>(1,382,863)</u>	<u>-</u>	<u>-</u>	<u>(4,591,626)</u>
Net total receivables	<u><u>\$ 53,680,698</u></u>	<u><u>\$ 33,188,711</u></u>	<u><u>\$ 80,688</u></u>	<u><u>\$ 6,784,637</u></u>	<u><u>\$ 93,734,734</u></u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or is available to liquidate liabilities but are not received for the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned, such as property tax revenue that is levied for the following year.

The governmental statements of net positions does not record fines and fees receivables of \$1,602,615 net of allowance of uncollectible receivables of \$1,004,278 as deferred revenue since they are considered available to liquidate liabilities however is recorded as a deferred revenue in the governmental funds due to not being received in the current period.

At the end of the current year, there are various components of deferred revenue and unearned revenue reported in the governmental funds and governmental statement of net position which are not considered to be available to liquidate liabilities, in the amount of \$92,814,870 which include property tax receivables of \$89,683,690 net of the allowance of uncollectible receivables and tax refunds 60 days after yearend of \$3,656,590 and \$6,649,286 that was collected for the 2019 tax levy which is available for fiscal year 2020.

Note 6. Compensated Absences

County policy allows the accrual of vacation and compensatory time benefits for all employees other than elected and appointed officials. The expense of the benefits is recognized when incurred. Vacation and compensatory pay are paid upon termination. The liability for accrued vacation and compensatory pay is shown as a long-term obligation. At December 31, 2019, the value of accumulated vacation and compensatory benefits amounted to \$116,895 for governmental activities, which is an decrease of \$23,902 from the prior year and was \$96,836 for business-type activities, which is an decrease of \$24,838 from the prior year.

Reeves County, Texas
Notes to the Financial Statements

Note 7. Capital Assets

Capital asset acquisition and disposal of the reporting entity was restricted to activities of the primary government only. Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,876,405	\$ -	\$ -	\$ 1,876,405
Construction in process	3,964,836	10,535,300	(2,481,779)	12,018,357
Total capital assets, not being depreciated	<u>5,841,241</u>	<u>10,535,300</u>	<u>(2,481,779)</u>	<u>13,894,762</u>
Capital assets, being depreciated:				
Buildings and improvements	17,580,349	1,427,954	2,481,779	21,490,082
Machinery and equipment	9,287,880	2,606,139	-	11,894,019
Automotive equipment	3,977,660	1,286,785	(52,668)	5,211,777
Infrastructure	2,304,259	-	-	2,304,259
Total capital assets, being depreciated:	<u>33,150,148</u>	<u>5,320,878</u>	<u>2,429,111</u>	<u>40,900,137</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,130,746)	(547,102)	-	(4,677,848)
Machinery and equipment	(3,332,683)	(967,500)	-	(4,300,183)
Automotive equipment	(2,700,444)	(433,500)	16,710	(3,117,234)
Infrastructure	(411,750)	(138,931)	-	(550,681)
Total accumulated depreciation	<u>(10,575,623)</u>	<u>(2,087,033)</u>	<u>16,710</u>	<u>(12,645,946)</u>
Total capital assets being depreciated, net	<u>22,574,525</u>	<u>3,233,845</u>	<u>2,445,821</u>	<u>28,254,191</u>
Governmental activities capital assets, net	<u>\$ 28,415,766</u>	<u>\$ 13,769,145</u>	<u>\$ (35,958)</u>	<u>\$ 42,148,953</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 5,330	\$ -	\$ -	\$ 5,330
Construction in process	162,885	172,208	(335,093)	-
Total capital assets, not being depreciated	<u>168,215</u>	<u>172,208</u>	<u>(335,093)</u>	<u>5,330</u>
Capital assets, being depreciated:				
Buildings and improvements	136,953,989	1,146,326	335,093	138,435,408
Machinery and equipment	6,310,859	617,274	-	6,928,133
Automotive equipment	366,226	97,926	-	464,152
Total capital assets, being depreciated:	<u>143,631,074</u>	<u>1,861,526</u>	<u>335,093</u>	<u>145,827,693</u>
Less accumulated depreciation for:				
Buildings and improvements	(49,485,492)	(3,444,030)	-	(52,929,522)
Machinery and equipment	(5,994,591)	(117,147)	-	(6,111,738)
Automotive equipment	(307,813)	(35,768)	-	(343,581)
Total accumulated depreciation	<u>(55,787,896)</u>	<u>(3,596,945)</u>	<u>-</u>	<u>(59,384,841)</u>
Total capital assets being depreciated, net	<u>87,843,178</u>	<u>(1,735,419)</u>	<u>335,093</u>	<u>86,442,852</u>
Business-type activities capital assets, net	<u>\$ 88,011,393</u>	<u>\$ (1,563,211)</u>	<u>\$ -</u>	<u>\$ 86,448,182</u>

Reeves County, Texas
Notes to the Financial Statements

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

Governmental activities:	
General government	\$ 338,550
Law enforcement	358,494
Corrections	5,760
Culture and recreation	284,958
Health and welfare	6,706
Maintenance	41,623
Road and bridge	1,021,049
Library	20,826
Highway and streets	5,761
Public service	<u>3,306</u>
Total depreciation expense - governmental activities	<u><u>\$ 2,087,033</u></u>
Business-type activities:	
Law enforcement center	<u>\$ 3,596,945</u>
Total depreciation expense - business-type activities	<u><u>\$ 3,596,945</u></u>

Note 8. Interfund Transfers, Receivables, and Payables

During the course of normal operations, the County has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary type funds financial statements generally reflect such transactions as transfers. The internal service funds record charges for service to County departments as operating revenue. All County funds record these payments to the internal service funds as operating expenses. The proprietary funds record operating subsidies as other income whereas the fund paying the subsidy records it as either an expenditure or transfer.

The purpose of the interfund balances is to track amounts owed between funds for short-term loans between funds and unpaid amounts for arm's length transactions between funds for goods and services. Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to spend them; and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Reeves County, Texas
Notes to the Financial Statements

Interfund transfers for the year ended December 31, 2019, are as follows:

Governmental Funds Transfers Out				
Transfers Out	Transfers In	Amount		Purpose
General Fund	Road and Bridge	\$ 25,000		To help fund maintenance projects
General Fund	Nonmajor Funds	377,566		Transfers of restricted funds to special revenue funds
General Fund	Law Enforcement Center	4,801,971		To provide funds for capital and maintenance projects
Road and Bridge	Law Enforcement Center	11,959,180		To provide funds for capital and maintenance projects
Nonmajor Funds	General Fund	31,787		Reimbursement of general funds that were used for restricted costs
Nonmajor Funds	Nonmajor Funds	15,014		Reimbursement of nonmajor restricted costs
Nonmajor Funds	Law Enforcement Center	716,922		To provide funds for capital and maintenance projects
	Total	<u>\$ 17,927,440</u>		

Internal Service Fund Transfers Out				
Transfers Out	Transfers In	Amount		Purpose
Internal Service Fund	Law Enforcement Center	8,159,804		To reimburse cost associated with payroll

The business-type activities transfers in and governmental-type activities transfers out include all of the law enforcement center transfers in from the governmental funds of \$17,478,073.

Interfund receivables and payables as of December 31, 2019, are as follows:

	Interfund Balances	
	Receivables	Payables
General fund	\$ 787,587	\$ -
Road and bridge fund	-	596,992
Court records management	863	-
Juvenile probation	431	-
State aid	431	-
Meals on wheels	431	-
Inmate transportation	2,588	-
Law enforcement fund	-	195,339
Total all funds	<u>\$ 792,331</u>	<u>\$ 792,331</u>

Reeves County, Texas
Notes to the Financial Statements

Note 9. Long-Term Debt

A. Governmental Activities:

The following is a summary of debt transactions for governmental activities of the County for the year ended December 31, 2019:

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Governmental activities:					
Revenue bond	\$ 2,820,000	\$ -	\$ 125,000	\$ 2,695,000	\$ 135,000
Certificate of obligation	2,815,000	-	440,000	2,375,000	455,000
Notes payable	920,451	-	305,525	614,926	218,830
Capital lease obligations	1,314,771	-	596,911	717,860	261,354
Other liabilities-compensated absences	140,798	-	23,902	116,896	-
Total governmental activities	<u>\$ 8,011,020</u>	<u>\$ -</u>	<u>\$ 1,491,338</u>	<u>\$ 6,519,682</u>	<u>\$ 1,070,184</u>

1. Notes Payable

Notes payable as of December 31 consisted of the following:

	2019
Multiple heavy equipment loan	\$ 334,536
Tractor equipment loan	23,437
Tire roller loan	29,225
Backhoe loader loan	17,783
Computer equipment loan	<u>209,945</u>
	614,926
Current portion of notes payable	<u>(218,830)</u>
Notes payable, net of current maturities	<u>\$ 396,096</u>

On July 10, 2018, the County purchased multiple heavy equipment with a \$539,937 note payable from a financial institution. The note matures on July 10, 2022 and bears an interest rate of 3.34%. Principal and interest are payable in annual installments of \$119,038, which are paid directly from governmental funds. The note is secured by the tractor.

On April 30, 2015, the County purchased tractor equipment with an \$86,140 note payable from a financial institution. The note matures on January 29, 2021 and bears an interest rate of 3.29%. Principal and interest are payable in annual installments of \$17,760, which are paid directly from governmental funds. The note is secured by the tractor.

On April 30, 2015, the County purchased tire roller equipment with a \$91,075 note payable from a financial institution. The note matures on January 29, 2021 and bears an interest rate of 3.35%. Principal and interest are payable in annual installments of \$17,760, which are paid directly from governmental funds. The note is secured by the equipment.

Reeves County, Texas
Notes to the Financial Statements

On April 30, 2015, the County purchased backhoe loader equipment with a \$61,683 note payable from a financial institution. The note matures on January 29, 2021 and bears an interest rate of 3.30%. Principal and interest are payable in annual installments of \$12,480, which are paid directly from governmental funds. The note is secured by the equipment.

On September 24, 2018, the County purchased computer hardware and software with a \$356,190 note payable from a financial institution. The note matures on August 15, 2022 and bears an interest rate of 6.3%. Principal and interest are payable in annual installments of \$80,235, which are paid directly from governmental funds. The note is secured by the equipment.

The following is a schedule of the future payments on the notes payable for each of the next five years:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 218,830	\$ 28,442	\$ 247,272
2021	206,194	18,686	224,880
2022	<u>189,902</u>	<u>9,170</u>	<u>199,072</u>
Remaining balance	<u><u>\$ 614,926</u></u>	<u><u>\$ 56,298</u></u>	<u><u>\$ 671,224</u></u>

Governmental accrued compensated absences will be liquidated by the general fund and special revenue funds.

2. Taxable Revenue Bond

Reeves County issued \$3,435,000 Series 2013 Taxable Revenue Bond. Proceeds from the issuance will be used to provide funds: (i) to complete the reconstruction of the Buck Johnson Arena and, (ii) to complete the reconstruction of the Reeves County Civic Center.

Initially there were issued, sold, and delivered hereunder fully registered bonds, without interest coupons payable to the respective initial Holders thereof, or to the registered assignee or assignees of said Bonds or any portion or portions thereof, in Authorized Denominations, maturing August 15, 2033, in the principal amount of \$3,435,000, bearing interest from the Delivery Date to August 15, 2028 at the Fixed Rate and from August 15, 2028 to maturity at the Variable Rate. The Bonds are dated December 1, 2013, and bear interest from the Delivery Date, calculated on the basis of a 360-day year composed of twelve 30-day months, to maturity or redemption.

The Series 2013 bond is payable from and secured by the Pledged Revenues which include (i) the Venue Tax which is a 2% hotel occupancy tax, (ii) amounts and investments on deposit in the Debt Service Fund, The Venue Revenue Account of the Venue Projects Fund and the Reserve Fund, plus (iii) any additional revenues, incomes, receipts, or other resources, including without limitation, any grants, donations, or income received to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the County to the payment of the Parity Obligations.

3. Certificate of Obligation

During 2014, the County issued \$4,500,000 Series 2014 Certificate of Obligation Bond. Proceeds from the issuance will be used to provide funds for the purpose of paying contractual obligations to be incurred for the construction of public works to wit: (i) constructing, renovating, rehabilitating, and improving the Reeves County Jail, (ii) constructing, renovating, rehabilitating, and improving the Reeves County Office Annex Building, and (iii) professional services rendered in relation to such project and the financing thereof, and such certificates shall be payable from ad valorem taxes.

Reeves County, Texas
Notes to the Financial Statements

The Certificates of Obligation are issued in fully registered form only and in denominations of \$100,000 or multiples of \$5,000 in excess thereof (within a maturity). The Certificates of Obligation mature on February 15 in each of the years specified in the Order adopted by the Commissioners Court of the County authorizing the issuance of the Certificates of Obligation (the "Order"), unless redeemed prior to maturity in accordance with the terms stated in the Certificates of Obligation. The Certificates of Obligation accrue interest from the date of delivery to you, the initial purchaser, at the rates, and in the manner, and interest is payable on the dates, all as provided in the Order.

B. Business-type Activities:

The following is a summary of debt transactions for business-type activities of the County for the year ended December 31, 2019:

	Balance December 31, 2018	Additions	Reductions	Defeasance	Balance December 31, 2019	Due Within One Year
Certifications of participant-Series 2010	\$ 11,600,000	\$ -	\$ 720,000	\$ 10,880,000	\$ -	\$ -
Certifications of participant-Series 2010A	16,905,000	-	1,050,000	15,855,000	-	-
Certifications of participant-Series 2012	7,880,000	-	1,710,000	-	6,170,000	1,800,000
Unamortized discount	(823,545)	642,237	-	-	(181,308)	-
Other liabilities-compensated absences	121,674	-	24,838	-	96,836	-
Total	\$ 35,683,129	\$ 642,237	\$ 3,504,838	\$ 26,735,000	\$ 6,085,528	\$ 1,800,000

Certificates of Participation

Series 2010

Reeves County issued \$19,680,000 Series 2010 Taxable Additional Revenue Certificates of Participation for the purpose of providing funding necessary to: (1) finance a portion of the costs of the 2010 Project; (2) fund a reasonably required reserve fund; (3) provide for capitalized interest; and (4) pay the costs associated with the sale and delivery of the certificates.

The certificates are issued on a parity with the Previous Parity Certificates outstanding, consisting of the \$46,350,000 series 2001A taxable additional revenue, Revenue Certificates of Participation - Lease Rentals (Reeves County Law Enforcement Center Trust) (the series 2001A certificates), the \$41,095,000 Series 2005 Taxable Additional Revenue Refunding Certificates of Participation - Lease Rentals (Reeves County Law Enforcement Center Trust) (the series 2005 certificates), and the \$20,930,000 series 2007 Taxable Additional Revenue Certificates of Participation - Lease Rentals (Reeves County Law Enforcement Center Trust) (the series 2007 certificates and together with the series 2001A certificates and the series 2005 certificates, the previous parity certificates).

The Certificates distribution dates shall be the first day of March, June, September, and December, commencing June 1, 2010, and at the stated redemption date of each Certificate or upon its earlier redemption. The certificates were subject to optional redemption at par prior to maturity, in whole or in part, on December 1, 2015, and on each certificate distribution date thereafter plus accrued interest to the redemption date.

Reeves County, Texas

Notes to the Financial Statements

The certificates also are subject to extraordinary redemption, without premium, in the event that (1) the County fails to appropriate funds sufficient to make the lease rental payments, (2) the sublease is terminated, (3) an event of default shall have occurred, (4) funds designated for such redemption are transferred from the certificate reserve account, (5) all or a substantial part of the facility is destroyed or condemned and the County elects to use the insurance proceeds or condemnation award to prepay its obligations under the sublease, or (6) the County determines that all or any portion of the funds on deposit in the 2010 Construction Subaccount will not be disbursed in connection with the 2010 project and directs the Trustee to apply such funds to the extraordinary redemption of the certificates. During the fiscal year the County determined that the 2010 Construction Subaccount will not be disbursed in connection with the 2010 project therefore applied funds to redeem the certificates. The series 2010 bonds and premium on bonds is no longer outstanding on the basic financial statements.

Series 2010A

Reeves County issued \$37,995,000 Series 2010A Taxable Revenue Refunding Certificates of Participation for the purpose of providing funds necessary to: (1) to defease and refund the \$33,125,000 outstanding principal amount of the series 2005 Taxable Additional Revenue Certificates of Participation - Lease Rentals (Reeves County Law Enforcement Center Trust) (the series 2005 certificates), which were sold to provide funds to defease and refund those certain \$29,355,000 Series 1999 Taxable Additional Revenue Certificates of Participation - Lease Rentals (Reeves County Law Enforcement Center Trust) (which were originally sold to provide funds to construct the 1999 expansion of the Reeves County Detention Center (the RCDC or the Center) and to defease those certain \$4,755,000 series 2001B Taxable Additional Revenue Certificates of Participation - Lease Rentals (Reeves County Law Enforcement Center Trust) which were originally sold to pay for a portion of the costs of the 2001 expansion of the Center; (2) to fund a reasonably required reserve fund; (3) to fund interest with respect to the series 2010A refunding certificates payable through September 1, 2012; and (4) to pay the costs associated with the sale and delivery of the series 2010A refunding certificates.

The series 2010A refunding certificates are issued on a parity with the previous parity certificates outstanding consisting of the \$46,350,000 series 2001A Taxable Additional Revenue Certificates of Participation - Lease Rentals (Reeves County Law Enforcement Center Trust) (the series 2001A certificates), the \$20,930,000 Series 2007 Taxable Additional Revenue Certificates of Participation - Lease Rentals (Reeves County Law Enforcement Center Trust) (the series 2007 certificates) and the \$19,680,000 series 2010 Taxable Additional Revenue Certificates of Participation - Lease Rentals (Reeves County Law Enforcement Center Trust) (the series 2010 certificates and together with the series 2001A certificates and the series 2007 certificates, the Previous Parity Certificates).

The certificates distribution dates shall be the first day of March, June, September, and December, commencing March 1, 2011, and at the stated redemption date of each certificate or upon its earlier redemption. The series 2010A refunding certificates were subject to optional redemption at par prior to maturity, in whole or in part, on December 1, 2015, and on each certificate distribution date thereafter plus accrued interest to the redemption date. The County acted on the optional redemption of the bonds therefore applied funds to redeem certificates. The series 2010A bonds and premium on bonds is no longer outstanding on the basic financial statements.

Reeves County, Texas

Notes to the Financial Statements

Series 2012

Reeves County issued \$17,710,000 Series 2012 Taxable Revenue Refunding and New Improvement Certificates of Participation-Lease Rentals (Reeves County Law Enforcement Center Trust). Proceeds from the issuance will be used to provide funds: (i) to complete the reconstruction and equipping of the Reeves County Detention Center (the RCDC or the Center); (ii) to defease and refund the \$13,105,000 outstanding principal amount of the County's Series 2007 Taxable Additional Revenue Certificates of Participation, Reeves County Law Enforcement Center Trust, dated May 17, 2007 (the Series 2007 Certificates), which were sold to provide funds for additions to the Center; (iii) to fund a reasonably required reserve fund; (iv) to fund a capitalized interest fund, that together with the lease rental payments, will be used to pay interest on the Series 2012 Certificates through December 1, 2012; and (v) to pay the costs associated with the sale and delivery of the Series 2012 Certificates.

The Series 2012 Certificates are issued on a parity with the County's previous parity certificates outstanding, presently consisting of: (i) the \$46,350,000 Series 2001A Taxable Additional Revenue Certificates of Participation - Lease Rentals (Reeves County Law Enforcement Center Trust) (the Series 2001A Certificates); (ii) the \$19,680,000 Series 2010 Taxable Additional Revenue Certificates of Participation - Lease Rentals (Reeves County Law Enforcement Center Trust) (the Series 2010 Certificates); and (iii) the \$37,995,000 Series 2010A Taxable Additional Revenue Refunding Certificates of Participation - Lease Rentals (Reeves County Law Enforcement Center Trust) (the Series 2010A Refunding Certificates, and together with the Series 2001A Certificates and the Series 2010 Certificates, the Previous Parity Certificate).

Distributions of the component of each lease rental payment designated as interest under the Ninth Supplemental Sublease (as defined herein) will be payable quarterly, beginning June 1, 2012. Interest will accrue from the date of delivery of the Series 2012 Certificates. Distributions of the components of each lease rental payment designated as principal under the Ninth Supplemental Sublease will be payable quarterly beginning March 1, 2014, until the Stated Redemption Date (as defined herein) of each Series 2012 Certificate, or upon its earlier redemption. The Series 2012 Certificates are subject to mandatory sinking fund redemption. The Series 2012 Certificates are not subject to optional redemption prior to maturity.

The certificates are subject to extraordinary redemption without premium in the event that (i) the County fails to appropriate funds sufficient to make the lease rental payments; (ii) the sublease is terminated; (iii) an event of default shall have occurred; (iv) funds designated for such redemption are transferred from the Certificate Reserve Account; or (v) all or a substantial part of the facility is destroyed or condemned and the County elects to use the insurance proceeds or condemnation award to prepay its obligations under the sublease.

Payment of principal of and interest on the Series 2012 Certificates will be secured on a parity basis with the Previous Parity Certificates by a gross pledge of the following: (i) all revenues derived from the sublease (the "Lease Rental Payments"); (ii) the Certificate Reserve Account and any other moneys or obligations deposited or required to be deposited with, or held or required to be held by or on behalf of, the Trustee under the indenture; and (iii) any net proceeds from (a) policies of insurance maintained on the Center, (b) any condemnation award, (c) business interruption insurance, (d) any sublease of the Center, and (e) the exercise by the Trustee of any remedies upon the occurrence of an event of default.

Reeves County, Texas
Notes to the Financial Statements

The following is a summary of the future payments on the certificates of participation:

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,800,000	\$ 248,030	\$ 2,048,030
2021	<u>4,370,000</u>	<u>217,228</u>	<u>4,587,228</u>
Remaining balance	<u><u>\$ 6,170,000</u></u>	<u><u>\$ 465,258</u></u>	<u><u>\$ 6,635,258</u></u>

Principal amounts for revenue bonds are subject to a quarterly sinking fund redemption provision and interest payments are due quarterly.

Note 10. Capital Lease Obligations

The County is obligated under various capital leases for equipment, which cost \$1,339,503.

Future minimum lease payments as of December 31, 2019, are as follows:

<u>Years Ending December 31,</u>	<u>General Fund</u>
2020	\$ 288,294
2021	288,294
2022	127,414
2023	<u>65,382</u>
Total minimum lease payments	769,384
Less amounts representing interest	<u>(51,524)</u>
Present value of net minimum capital lease payments	717,860
Less current obligations under capital lease	<u>(261,354)</u>
Obligations under capital leases less current portion	<u><u>\$ 456,506</u></u>

Reeves County, Texas
Notes to the Financial Statements

Reeves County sub-leases the RCDC improvements from the Bond Trustee under a restated master sub-lease that ends when the County purchases the Trustee’s interest in the RCDC improvements, or when no bonds remain outstanding. Should monies be insufficient to satisfy the County’s rental obligation in any year, the County may terminate the sub-lease. Payments of \$3,361,833 for 2019 were recorded in the Law Enforcement Center Fund.

Note 11. Operating Lease Obligations

Reeves County has entered into several operating leases for equipment.

Future minimum lease payments as of December 31, 2019 are as follows:

Governmental and Business-type Activities:

Years Ending December 31,	Payment
2020	\$ 34,250
2021	19,729
2022	15,547
2023	<u>4,589</u>
Total	<u><u>\$ 74,115</u></u>

Note 12. Tax Assessor’s Fund

This fund consists of collections received for the state of Texas. The monies collected were paid over, in total, on a monthly basis. The amounts held as of December 31, 2019 for the state of Texas for motor vehicle sales tax and vehicle inventory tax were \$138,595. This amount is included in cash and cash equivalents of governmental activities.

Note 13. Self-Funded Insurance Plan

The County maintains a Self-Administered Group Employee Life/Disability Program, started October 1, 1990, to provide health insurance for employees. On July 1, 2015, the County participated with Blue Cross Blue Shield in administering the health insurance program. Under the program, the County pays a percentage cost of the employee’s coverage. Under the plan, the County pays \$101 per employee to Blue Cross Blue Shield, the third party administrator, to administer the plan and deposits the remaining \$543 in a checking account at West Texas National Bank. For dependent coverage, \$196 is paid to Blue Cross Blue Shield for administration and \$1,334 is deposited in the bank. When the employee has a claim, it is filed with Blue Cross Blue Shield.

If the claim is subsequently paid, the employee could receive a check from Blue Cross Blue Shield but normally it goes directly to the provider of the service. The insurance company then drafts the County’s bank account for the amount. At year-end, the account had \$1,486,206 deposited at the bank.

	<u>2019</u>
Unpaid claims - January 1	\$ 97,574
Incurred claims (including IBNR)	2,611,142
Claim payments	<u>(2,602,549)</u>
Unpaid claims - December 31	<u><u>\$ 106,167</u></u>

Reeves County, Texas
Notes to the Financial Statements

Note 14. Employee Retirement Benefits

A. Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 559 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more.

Members are vested after eight years of service, but must leave their accumulated deposits in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

B. Benefits Provided

Benefit amounts are determined by the sum of the employee's deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute.

At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees covered by benefits as of **December 31, 2018** include:

Retirees or beneficiaries currently receiving benefits	231
Inactive employees entitle to but not yet receiving benefits	324
Active employees	<u>382</u>
Total	<u><u>937</u></u>

C. Contributions

The employer has elected the annually determined contribution rate (variable rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using a rate of 7.00%, which was in excess of the actuarially determined rate for the plan year 2019.

The deposit rate payable by the employee members for calendar year 2018 and 2019 is the rate of 7.00% as adopted by the governing body of the employer. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Reeves County, Texas
Notes to the Financial Statements

D. Net Pension Liability

The County’s net pension liability was measured as of **December 31, 2018**, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Total Pension Asset in the **December 31, 2018** actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2018
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increase	4.90%
Investment Rate of Return	8.00%
Payroll Growth	2.50%

Mortality rates for depositing members were based on the RP-2000 Active Employee Mortality Table for Males or Females, as appropriate, with a two-year set-forward for males and a four-year setback for females, based on projection scale AA. Mortality rates service retirees, beneficiaries and non-depositing members were based on the RP-2000 Combined Mortality Table, with a projection scale of AA with a one year age set forward for males and no age adjustment for females. Mortality rates for disabled retirees RP-2000 Disabled Mortality Table for Males or Females, as appropriate, with no age adjustment for males and a two year set-forward females, based on projection scale AA.

Family composition for current retirees’ beneficiary information is supplied by TCDRS. For the purpose of calculating the Survivor Benefit for current depositing and non-depositing members, male members are assumed to have a female beneficiary who is three years younger. Female members are assumed to have a male beneficiary who is three years older.

The actuarial assumptions used in the **December 31, 2018** valuation were based on the results of an actuarial experience study for the years 2013-2016.

Reeves County, Texas
Notes to the Financial Statements

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

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
US equities	10.50%	5.40%
Private equity	18.00%	8.40%
Global equities	2.50%	5.70%
International equities - developed	10.00%	5.70%
International equities - emerging	7.00%	5.40%
Investment-grade bonds	3.00%	5.90%
Strategic credit	12.00%	1.60%
Direct lending	11.00%	4.39%
Distressed debt	2.00%	7.20%
REIT Equities	2.00%	4.15%
Master limited partnerships	3.00%	5.35%
Private real estate partnerships	6.00%	6.30%
Hedge funds	13.00%	3.90%
Total	100.0%	

Reeves County, Texas
Notes to the Financial Statements

The discount rate used to measure the total pension liability was 8.10%, which is consistent with the prior year discount rate. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The best estimates of geometric real rates of return for each major asset class included in the TCDRS' target asset allocation as of January 2019 are summarized below.

Changes in the Net Pension Liability

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) – (b)
Balances as of December 31, 2017	\$ 70,674,781	\$ 83,069,868	\$ (12,395,087)
Changes for the year:			
Service cost	1,981,155	-	1,981,155
Interest on total pension liability ⁽¹⁾	5,717,951	-	5,717,951
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	(545,090)	-	(545,090)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(856,760)	(856,760)	-
Benefit payments	(3,353,089)	(3,353,089)	-
Administrative expenses	-	(63,877)	63,877
Member contributions	-	1,186,759	(1,186,759)
Net investment income	-	(1,568,382)	1,568,382
Employer contributions	-	1,159,685	(1,159,685)
Other ⁽³⁾	-	(46,760)	46,760
Balances as of December 31, 2018	\$ 73,618,948	\$ 79,527,444	\$ (5,908,496)

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

⁽²⁾ No plan changes valued.

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

Reeves County, Texas
Notes to the Financial Statements

The following presents the net pension liability of the County as of **December 31, 2018**, calculated using the discount rate of 8.10%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1% lower (7.10%) or 1% higher (9.10%) than the current rate.

	1% Decrease in Discount Rate (7.10%)	Discount Rate (8.10%)	1% Increase in Discount Rate (9.10%)
Total pension liability	\$ 83,626,076	\$ 73,618,948	\$ 65,368,363
Fiduciary net pension	79,527,444	79,527,444	79,527,444
Net pension liability / (asset)	\$ 4,098,632	\$ (5,908,496)	\$ (14,159,081)

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

For the year ended December 31, 2019, the County's change in net pension asset and related deferred inflows and outflows increased governmental net positions by \$2,883,576 and decreased business-type net position by \$1,849,441 from recognized pension expense of \$504,674 related to the **December 31, 2018** valuation netted with fiscal year 2019 pension contributions of \$1,538,809. At December 31, 2019, the County reported deferred inflows and outflows of resources related to the Plan from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual economic experience	\$ 2,206,166	\$ -
Changes in assumptions	-	225,680
Net difference between projected and actual investment earnings	-	5,255,436
Contributions subsequent to the measurement date	-	1,538,809
Total	\$ 2,206,166	\$ 7,019,925

Deferred outflows of resources related to the Plan resulting from contributions subsequent to the measurement date of \$1,538,809 (\$698,127 for governmental-type funds and \$848,034 for business-type funds) will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2019 (i.e. recognized in the County's financial statements December 30, 2019). Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended December 31,	Pension Expense Amount
2019	\$ (465,410)
2020	(491,426)
2021	(674,384)
2022	(1,643,730)
Total	\$ (3,274,950)

Reeves County, Texas
Notes to the Financial Statements

Note 15. Contingent Liabilities

A. Federal and State Assisted Programs

The County participates in several state and federally assisted programs, on both a direct and pass-through basis. Principle among these is the Texas Juvenile Justice Department (TJJD) state grants. Separate audited financial statements provide information for all TJJD grant funds of the County.

In connection with these grants, the County is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. Such compliance is subject to review and audit by grantors and their representatives, including audits under the "Single Audit" concept and compliance examinations which build upon such audits. In management's opinion, the County has complied with applicable requirements. However, since programs are subject to future audit or review, the possibility of disallowed expenditures exists. In the event of disallowance of claimed expenditures, the County expects the resulting liability not to have a material adverse effect to its financial position.

B. Litigation

The County is party to several legal actions arising in the ordinary course of its business. In the opinion of the County's management, upon advice of the County Attorney, and the County's outside legal counsel, the County has adequate legal defense and/or insurance coverage regarding most of these actions and does not believe that they will materially affect the County's financial position.

Note 16. Tax Abatements

The County negotiates property tax abatement agreements on an individual basis. The County has a tax abatement agreement with one entity as of December 31, 2019.

Purpose	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year
Promote business expansion and economic growth	100%	\$ 2,725,620

The above described agreement includes a provision for the entity to make annual payments in lieu of taxes abated. As of December 31, 2019, payments in lieu of taxes amounted to \$119,927 and is included in general revenues in the statement of activities.

The agreement was negotiated under state law (Article 3, Section 52A, Texas Constitution) to enable cities and counties to implement programs for the public purposes of economic development under which counties may provide financial incentives for the purposes of stimulating local economic development and business and commercial activity in the County for a period not to exceed ten years. Localities may grant abatements for all or a portion of annual property taxes through a direct reduction of the entity's property tax bill.

The County has not made any commitments as a part of the agreement other than to reduce taxes. The County is not subject to any tax abatement agreements entered into by other governmental entities. The County has chosen to disclose information about all of its tax abatement agreements.

Reeves County, Texas

Notes to the Financial Statements

Note 17. New Pronouncements

Statement No. 87 *Leases* – The objectives of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease account based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Statement No. 91 *Conduit Debt Obligations* – The objective of this Statement Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. A conduit debt obligation is defined as a debt instrument having all of the following characteristics: There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee. The issuer and the third-party obligor are not within the same financial reporting entity. The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer. The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance. The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associate with the debt obligation (debt service payments). The requirements of this Statement will be effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Statement No. 89: *Accounting for Interest Cost Incurred before the End of a Construction Period* – The objective of this Statement is to enhance the relevance and comparability of data about capital assets and the costs of borrowing for reporting periods. The Statement also aims to simplify accounting for interest costs incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 92: *Omnibus 2020* – The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics. Provisions in the Statement applicable to the County include: 1) the effective date of GASB Statement No. 87: *Leases* delayed to fiscal year beginning after December 15, 2019 and all reporting periods thereafter; 2) The applicability of GASB Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits; 3) the applicability of certain requirements of GASB Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements; 4) Reference to nonrecurring fair value measurements of assets and liabilities in authoritative literature; 5) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; and 5) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020.

Reeves County, Texas

Notes to the Financial Statements

Statement No. 95: *Postponement of the Effective Dates of Certain Authoritative Guidance* – The objective of this Statement is to offer temporary relief to governments and other stake holders due to the COVID-19 pandemic. The Statement postpones the effective dates of certain provisions in Statements and Implementation Guides that either became effective or are schedule to become effective during or for periods beginning after June 15, 2018 or later. Under the Statement following updates were made:

- The effective date for GASB Statement No. 87 has been postponed from reporting periods beginning after December 15, 2019 to reporting periods beginning after June 15, 2021.
- The effective date for GASB Statement No. 89 has been postponed from reporting periods beginning after December 15, 2019 to reporting periods beginning after December 15, 2020.
- The effective date for GASB Statement No. 91 has been postponed from reporting periods beginning after December 15, 2020 to reporting periods beginning after December 15, 2021.
- The effective date for GASB Statement No. 92 has been postponed from reporting periods beginning after June 15, 2020 to reporting periods beginning after June 15, 2021.

The County's management is reviewing the implementation process of these standards by gathering required information.

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Required Supplementary Information

Reeves County, Texas

Texas County District Retirement System

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for the Employees of Reeves County For the Year Ended December 31, 2019

	2018	2017	2016	2015	2014
TOAL NET PENSION LIABILITY					
Service cost	\$ 1,981,155	\$ 3,808,770	\$ 3,707,475	\$ 3,412,137	\$ 3,462,104
Interest (on the total pension liability)(1)	5,717,951	5,770,524	5,242,817	4,898,799	4,525,754
Effect of plan changes (2)	-	-	-	(713,068)	150,035
Effect of assumption changes or inputs	(545,090)	288,526	-	647,521	-
Effect of economic/demographoc (gains) or losses	-	(4,174,621)	(518,083)	(1,219,996)	(697,708)
Benefit payments/refunds of contributions	(4,209,849)	(4,807,764)	(3,043,446)	(2,870,308)	(2,545,014)
Net change in total pension liability	2,944,167	885,435	5,388,763	4,155,085	4,895,171
Total pension liability - beginning	70,674,781	69,789,346	64,400,583	60,245,498	55,350,327
TOTAL PENSIOIN LIABILITY - ENDING (a)	\$ 73,618,948	\$ 70,674,781	\$ 69,789,346	\$ 64,400,583	\$ 60,245,498
PLAN DIFUCIARY NET POSITION					
Contributions - employer	1,159,685	1,603,458	1,962,766	1,872,420	1,787,530
Contributions - employee	1,186,759	1,603,458	1,962,766	1,872,420	1,787,530
Investment income net of investment expenses	(1,568,382)	10,772,134	5,026,228	(1,307,042)	4,174,737
Benefit payments/refunds of contributions	(4,209,849)	(4,807,764)	(3,043,446)	(2,870,308)	(2,545,013)
Administrative expenses	(63,877)	(55,244)	(54,665)	(49,058)	(50,717)
Other (3)	(46,760)	(21,959)	308,824	37,087	(100,967)
Net change in plan fiduciary net poisiton	(3,542,424)	9,094,083	6,162,473	(444,481)	5,053,100
Plan fiduciary net position - beginning	83,069,868	73,975,785	67,813,312	68,257,793	63,204,693
PLAN FIDUCIARY NET POSITION - ENDING (b)	\$ 79,527,444	\$ 83,069,868	\$ 73,975,785	\$ 67,813,312	\$ 68,257,793
NET PENSION LIABILITY (ASSET) - ENDING (a)-(b)	\$ (5,908,496)	\$ (12,395,087)	\$ (4,186,439)	\$ (3,412,729)	\$ (8,012,295)
Plan fiduciary net position as a percentgagge of total pension asset	108.03%	117.54%	106.00%	105.30%	113.30%
County's covered employee payroll	\$ 16,566,936	\$ 22,906,545	\$ 28,039,516	\$ 26,748,852	\$ 25,536,142
County's net pension liability as a percentage of its covered-employee payroll	-36%	-54%	-14.93%	-12.76%	-31.38%

*The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, December 31 of the prior year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

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

(2) No plan changes valued.

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

Reeves County, Texas
Texas County District Retirement System
Schedule of Employer Contributions
For the Year Ended December 31, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 828,347	\$ 1,127,002	\$ 1,362,720	\$ 1,431,064	\$ 1,557,705	\$ 1,671,570
Contributions in relation to the actuarially determined contribution	<u>1,159,685</u>	<u>1,603,458</u>	<u>1,962,766</u>	<u>1,872,420</u>	<u>1,787,530</u>	<u>1,783,687</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ (331,338)</u>	<u>\$ (476,456)</u>	<u>\$ (600,046)</u>	<u>\$ (441,356)</u>	<u>\$ (229,825)</u>	<u>\$ (112,117)</u>
Covered payroll	\$ 16,566,936	\$ 22,906,545	\$ 28,039,516	\$ 26,748,852	\$ 25,536,142	\$ 25,481,243
Contribution as a percentage of covered payroll	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%

*The amounts presented for the fiscal year were determined as of the Plan's fiscal year end, December 31 of the prior year. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Reeves County, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Variance - Positive (Negative)
REVENUES						
Taxes	\$ 35,596,588	\$ 36,197,258	\$ 37,809,888	\$ -	\$ 37,809,888	\$ 1,612,630
Fines and forfeitures	1,395,200	2,107,930	2,657,293	-	2,657,293	549,363
Intergovernmental	300,000	300,000	57,490	-	57,490	(242,510)
Charges for services	600	600	1,250	-	1,250	650
Interest	390,700	543,685	874,415	-	874,415	330,730
Other	486,633	1,185,472	1,463,778	-	1,463,778	278,306
Total revenues	38,169,721	40,334,945	42,864,114	-	42,864,114	2,529,169
EXPENDITURES						
General government:						
Office of County Judge	266,817	266,817	220,123	-	220,123	46,694
Office of County Clerk	511,390	511,390	452,573	-	452,573	58,817
Commissioners' Court	440,449	755,193	204,134	-	204,134	551,059
Employee Benefits	500	1,577,078	1,462,500	-	1,462,500	114,578
Veteran's Service Office	72,036	65,275	47,950	-	47,950	17,325
Purchasing Department	160,234	160,434	134,385	-	134,385	26,049
Comminorsy	3,000	53,000	2,088	-	2,088	50,912
Total general government	1,454,426	3,389,187	2,523,753	-	2,523,753	865,434
Judicial:						
Office of the District Clerk	300,423	309,423	257,365	-	257,365	52,058
County Court at Law	263,928	263,928	248,720	-	248,720	15,208
District Court	156,386	179,386	125,573	-	125,573	53,813
Office of the District Attorney	181,681	186,681	182,293	-	182,293	4,388
Office of the County Attorney	257,968	290,231	242,082	-	242,082	48,149
Justice of the Peace #1	116,220	148,372	127,578	-	127,578	20,794
Justice of the Peace #2	110,037	110,037	106,881	-	106,881	3,156
Justice of the Peace #3	132,737	137,973	137,973	-	137,973	-
Justice of the Peace #4	109,297	138,512	138,512	-	138,512	-
Court costs	152,511	164,511	158,839	-	158,839	5,672
Jury fund	93,757	96,757	94,510	-	94,510	2,247
Total judicial	1,874,945	2,025,811	1,820,326	-	1,820,326	205,485
Financial administration:						
Office of the County Auditor	444,356	433,156	419,054	-	419,054	14,102
Office of the Tax Assessor Collector	488,516	417,651	396,130	-	396,130	21,521
Office of County Treasurer	273,627	273,627	245,691	-	245,691	27,936
Total financial administration	1,206,499	1,124,434	1,060,875	-	1,060,875	63,559
Corrections:						
Adult probabtion	4,550	4,550	3,951	-	3,951	599
Total corrections	4,550	4,550	3,951	-	3,951	599
Law enforcement:						
Constable Precinct #2	11,964	11,964	11,678	-	11,678	286
Constable Precinct #3	11,964	11,964	11,679	-	11,679	285
Constable Precinct #4	11,964	11,964	11,708	-	11,708	256
Public Safety Department	2,000	2,000	573	-	573	1,427
Office of the Sheriff	4,682,269	7,491,123	5,739,794	-	5,739,794	1,751,329
Office of the Sheriff's Task Force	487,086	487,086	381,541	-	381,541	105,545
Total law enforcement	5,207,247	8,016,101	6,156,973	-	6,156,973	1,859,128
Health and welfare:						
Health service	7,400	7,400	3,520	-	3,520	3,880
Indigent care	-	7,450	6,394	-	6,394	1,056
Emergency management	185,896	196,502	149,054	-	149,054	47,448
Autopsy	131,964	185,238	173,297	-	173,297	11,941
Total health and welfare	325,260	396,590	332,265	-	332,265	64,325

The Notes to the Required Supplementary Information are an integral part of this statement.

Reeves County, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund – Continued For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual GAAP Basis	Adjustment Budget Basis	Actual Budget Basis	Variance - Positive (Negative)
EXPENDITURES (Continued)						
Fire protection:						
Fire contracts	348,500	539,000	514,000	-	514,000	25,000
Total fire protection	348,500	539,000	514,000	-	514,000	25,000
Culture and recreation:						
Golf course	1,751,683	1,953,828	1,355,665	-	1,355,665	598,163
Senior citizens	56,318	83,418	44,506	-	44,506	38,912
Ball parks	42,500	42,500	33,785	-	33,785	8,715
4-H barn	-	83	83	-	83	-
County Recreation	185,000	190,000	-	-	-	190,000
North Side park	110,000	130,000	1,042	-	1,042	128,958
Swimming pool	670,000	673,000	115,617	-	115,617	557,383
Cemetery	526,613	526,613	315,354	-	315,354	211,259
Recreation and wellness program	235,777	235,777	120,586	-	120,586	115,191
Total culture and recreation	3,577,891	3,835,219	1,986,638	-	1,986,638	1,848,581
County library	198,511	325,835	266,545	-	266,545	59,290
Maintenance:						
Building and grounds	1,380,335	2,110,601	1,557,483	-	1,557,483	553,118
Other maintenance	2,136,956	4,432,729	1,640,740	-	1,640,740	2,791,989
Total maintenance	3,517,291	6,543,330	3,198,223	-	3,198,223	3,345,107
Conservation:						
County extension agents	65,685	20,322	1,936	-	1,936	18,386
Total conservation	65,685	20,322	1,936	-	1,936	18,386
Public service:						
Miscellaneous	5,268,300	953,808	899,437	-	899,437	54,371
Total public service	5,268,300	953,808	899,437	-	899,437	54,371
Capital outlay	20,800,000	24,228,452	12,689,628	-	12,689,628	11,538,824
Debt Service:						
Principal	990,175	990,177	591,817	-	591,817	398,360
Interest	89,249	89,249	89,249	-	89,249	-
Total debt service	1,079,424	1,079,426	681,066	-	681,066	398,360
Other:						
County Commissioners Administrative Asst	68,550	11,007	-	-	-	11,007
Total other	68,550	11,007	-	-	-	11,007
Total expenditures	44,997,079	52,493,072	32,135,616	-	32,135,616	20,357,456
Excess (deficiency) of revenues over (under) expenditures	(6,827,358)	(12,158,127)	10,728,498	-	10,728,498	22,886,625
OTHER FINANCING SOURCES (USES)						
Transfers in	2,500,000	5,567,077	31,787	9,890,727	9,922,514	4,355,437
Transfers out	(14,066,600)	(17,123,923)	(5,204,537)	(9,890,727)	(15,095,264)	2,028,659
Proceeds from insurance	-	4,354,558	870,912	-	870,912	(3,483,646)
Total other financing sources (uses)	(11,566,600)	(7,202,288)	(4,301,838)	-	(4,301,838)	2,900,450
Net change in fund balance	(18,393,958)	(19,360,415)	6,426,660	-	6,426,660	25,787,075
Fund balance, beginning of year	24,112,918	24,112,918	24,112,918	-	24,112,918	-
Fund balance, beginning as restated	24,112,918	24,112,918	24,112,918	-	24,112,918	-
FUND BALANCE, END OF YEAR	\$ 5,718,960	\$ 4,752,503	\$ 30,539,578	\$ -	\$ 30,539,578	\$ 25,787,075

The Notes to the Required Supplementary Information are an integral part of this statement.

Reeves County, Texas

Schedule of Revenues, Expenditures and Changes in Fund

Balance – Budget and Actual (Budget Basis) – Road and Bridge Special Fund

For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual GAAP Basis	Variance - Positive (Negative)
REVENUES				
Taxes	\$ 22,906,820	\$ 22,906,820	\$ 16,608,626	\$ (6,298,194)
Fines and forfeitures	1,030,000	1,030,000	1,059,231	29,231
Intergovernmental	-	-	6,625,900	6,625,900
Charges for services	25,000	25,000	6,828	(18,172)
Interest	75,000	75,000	329,022	254,022
Other	20,000	20,000	6,458	(13,542)
Total revenues	24,056,820	24,056,820	24,636,065	579,245
EXPENDITURES				
General government	-	-	-	-
Highways and streets:				
Salaries and benefits	3,476,836	3,624,836	2,901,345	723,491
Travel	7,500	18,350	16,975	1,375
Supplies	5,258,000	5,536,949	5,420,025	116,924
Contractual services	1,200	1,200	1,100	100
Equipment	1,800,000	1,175,059	73,403	1,101,656
Utilities	34,000	44,413	41,925	2,488
Insurance	470,562	527,162	404,034	123,128
Repairs and maintenance	725,000	1,051,517	336,911	714,606
Other	7,485,407	7,304,836	3,732,656	3,572,180
Capital outlay	2,724,830	2,724,830	2,724,830	-
Debt service:				
Principal	750,419	750,419	750,419	-
Interest	49,344	49,344	49,344	-
Total expenditures	22,783,098	22,808,915	16,452,967	6,355,948
Excess (deficiency) of revenues over (under) expenditures	1,273,722	1,247,905	8,183,098	6,935,193
OTHER FINANCING SOURCES (USES)				
Transfers in	-	25,000	25,000	-
Transfers out	-	(11,959,180)	(11,959,180)	-
Proceeds from capital lease	-	-	-	-
Proceeds from debt issue	-	-	-	-
Total other financing sources (uses)	-	(11,934,180)	(11,934,180)	-
Net change in fund balance	1,273,722	(10,686,275)	(3,751,082)	6,935,193
Fund balance, beginning of year	4,271,206	4,271,206	4,271,206	-
Prior period adjustment	-	-	-	-
Fund balance, beginning as restated	4,271,206	4,271,206	4,271,206	-
FUND BALANCE, END OF YEAR	\$ 5,544,928	\$ (6,415,069)	\$ 520,124	\$ 6,935,193

The Notes to the Required Supplementary Information are an integral part of this statement.

Reeves County, Texas

Notes to the Required Supplementary Information

The County follows these procedures in establishing budgetary data reflected in the financial statements:

- a. Public hearings are required for any percentage tax increase for maintenance and operations purposes. Tax increases for Debt Service do not require a public hearing.
- b. Public hearings are conducted at Reeves County Courthouse to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through adoption of an order by the Commissioners' Court.
- d. Budgeted amounts may be transferred between line items of the budget within the same fund. Any amendments which alter the line items or total expenditures of any department must be approved by the Commissioners' Court. There must be an emergency condition existing in order for the Court to increase the total budget.
- e. Budgets for the various funds are adopted on a cash basis and are compared to cash basis balances in the schedules.
- f. Expenditures in excess of appropriations are required by state statutes to be reported down to the departmental level.
- g. The budgeted amounts presented in these statements are as originally adopted, or as amended by, the Commissioners' Court during the year ended December 31, 2019.
- h. The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund and Road and Bridge Special Fund present a comparison of budgetary data to actual results.

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Supplemental Information

Reeves County, Texas
Special Revenue Funds
Combining Balance Sheet
December 31, 2019

	<u>Greenwood Cemetery</u>	<u>Asbestos Fund</u>	<u>Major Jury</u>	<u>Court Records Management</u>
ASSETS				
Cash and cash equivalents	\$ 1,612	\$ 1,878	\$ 4,415	\$ 326,194
Investments	-	-	-	-
Interfund receivables	-	-	-	863
Receivables (net):				
Other	-	-	-	-
	<u>1,612</u>	<u>1,878</u>	<u>4,415</u>	<u>326,194</u>
TOTAL ASSETS	<u>\$ 1,612</u>	<u>\$ 1,878</u>	<u>\$ 4,415</u>	<u>\$ 327,057</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	1,011
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,011</u>
Total liabilities	-	-	-	1,011
FUND BALANCES				
Restricted:				
Legislation	-	-	-	326,046
Federal and state grants	-	-	-	-
Donations	1,612	1,878	4,415	-
	<u>1,612</u>	<u>1,878</u>	<u>4,415</u>	<u>326,046</u>
Total fund balances	1,612	1,878	4,415	326,046
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,612</u>	<u>\$ 1,878</u>	<u>\$ 4,415</u>	<u>\$ 327,057</u>

<u>District Court Records</u>	<u>Courthouse Security</u>	<u>Court Reporter Service</u>	<u>Lateral Roads</u>	<u>Vehicle Fund</u>	<u>Child Abuse Prevention</u>
\$ 58,638	\$ 58,984	\$ 16,015	\$ 56,638	\$ 13,731	\$ 847
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 58,638</u>	<u>\$ 58,984</u>	<u>\$ 16,015</u>	<u>\$ 56,638</u>	<u>\$ 13,731</u>	<u>\$ 847</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
58,638	58,984	16,015	-	-	847
-	-	-	56,638	13,731	-
-	-	-	-	-	-
<u>58,638</u>	<u>58,984</u>	<u>16,015</u>	<u>56,638</u>	<u>13,731</u>	<u>847</u>
<u>\$ 58,638</u>	<u>\$ 58,984</u>	<u>\$ 16,015</u>	<u>\$ 56,638</u>	<u>\$ 13,731</u>	<u>\$ 847</u>

Reeves County, Texas
Special Revenue Funds
Combining Balance Sheet – Continued
December 31, 2019

	<u>Justice Court Technology</u>	<u>Madera Valley Water</u>	<u>Juvenile Probation</u>	<u>Drug Task Force</u>
ASSETS				
Cash and cash equivalents	\$ 32,931	\$ 1,876	\$ 149,945	\$ 910
Investments	-	-	-	-
Interfund receivables	-	-	431	-
Receivables (net):				
Other	-	-	-	-
	<u>32,931</u>	<u>1,876</u>	<u>149,945</u>	<u>910</u>
TOTAL ASSETS	<u>\$ 32,931</u>	<u>\$ 1,876</u>	<u>\$ 150,376</u>	<u>\$ 910</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	3,886	-
	<u>-</u>	<u>-</u>	<u>3,886</u>	<u>-</u>
Total liabilities	-	-	3,886	-
FUND BALANCES				
Restricted:				
Legislation	32,931	-	146,490	910
Federal and state grants	-	1,876	-	-
Donations	-	-	-	-
	<u>32,931</u>	<u>1,876</u>	<u>146,490</u>	<u>910</u>
Total fund balances	32,931	1,876	146,490	910
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 32,931</u>	<u>\$ 1,876</u>	<u>\$ 150,376</u>	<u>\$ 910</u>

<u>State Aid</u>	<u>Forfeiture Fund</u>	<u>Law Enforcement Program</u>	<u>Foster Care Program</u>	<u>Housing Rehabilitation</u>
57,310	\$ 264,832	\$ 25,345	\$ 782	\$ -
-	-	-	-	-
431	-	-	-	-
-	-	-	-	-
<u>\$ 57,741</u>	<u>\$ 264,832</u>	<u>\$ 25,345</u>	<u>\$ 782</u>	<u>\$ -</u>
\$ 5,282	\$ -	\$ -	\$ -	\$ -
400	-	-	-	-
<u>5,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	264,832	25,345	-	-
52,059	-	-	782	-
-	-	-	-	-
<u>52,059</u>	<u>264,832</u>	<u>25,345</u>	<u>782</u>	<u>-</u>
<u>\$ 57,741</u>	<u>\$ 264,832</u>	<u>\$ 25,345</u>	<u>\$ 782</u>	<u>\$ -</u>

Reeves County, Texas
Special Revenue Funds
Combining Balance Sheet – Continued
December 31, 2019

	<u>911 Planning</u>	<u>Pecos Senior Center Title III B</u>	<u>Federal Forfeiture Fund</u>	<u>District Clerk Justice/Tech</u>
ASSETS				
Cash and cash equivalents	\$ 26,516	\$ -	\$ 20,601	\$ 15,692
Investments	-	-	-	-
Interfund receivables	-	-	-	-
Receivables (net):				
Other	-	-	-	-
	<u>26,516</u>	<u>-</u>	<u>20,601</u>	<u>15,692</u>
TOTAL ASSETS	<u>\$ 26,516</u>	<u>\$ -</u>	<u>\$ 20,601</u>	<u>\$ 15,692</u>
LIABILITIES				
Accounts payable	\$ -	\$ 998	\$ -	\$ -
Accrued payroll	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	-	998	-	-
FUND BALANCES				
Restricted:				
Legislation	26,516	-	-	15,692
Federal and state grants	-	-	-	-
Donations	-	(998)	20,601	-
	<u>-</u>	<u>(998)</u>	<u>20,601</u>	<u>-</u>
Total fund balances	26,516	(998)	20,601	15,692
	<u>26,516</u>	<u>(998)</u>	<u>20,601</u>	<u>15,692</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,516</u>	<u>\$ -</u>	<u>\$ 20,601</u>	<u>\$ 15,692</u>

<u>Venue Project</u>	<u>Meals on Wheels</u>	<u>Inmate Transportation</u>	<u>Total</u>
\$ 1,571,092	\$ 6,608	\$ -	\$ 2,713,392
255,286	-	-	255,286
-	431	2,588	4,744
<u>80,688</u>	<u>-</u>	<u>-</u>	<u>80,688</u>
<u>\$ 1,907,066</u>	<u>\$ 7,039</u>	<u>\$ 2,588</u>	<u>\$ 3,054,110</u>
\$ 8,564	\$ -	\$ -	\$ 14,844
-	1,762	-	7,059
<u>8,564</u>	<u>1,762</u>	<u>-</u>	<u>21,903</u>
-	-	2,588	975,834
-	-	-	125,086
1,898,502	5,277	-	1,931,287
<u>1,898,502</u>	<u>5,277</u>	<u>2,588</u>	<u>3,032,207</u>
<u>\$ 1,907,066</u>	<u>\$ 7,039</u>	<u>\$ 2,588</u>	<u>\$ 3,054,110</u>

Reeves County, Texas
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2019

	<u>Greenwood Cemetery</u>	<u>Asbestos Fund</u>	<u>Major Jury</u>	<u>Court Records Management</u>
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	245,545
Interest	241	127	2,379	6,244
Other	-	-	-	242,215
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	241	127	2,379	494,004
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	-	-	698	347,428
Corrections	-	-	-	-
Law enforcement	-	-	-	-
Health and welfare	-	-	-	-
Public service	2,895	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	2,895	-	698	347,428
Excess (deficiency) of revenues over (under) expenditures	(2,654)	127	1,681	146,576
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	(9,656)	(4,802)	(119,988)	(159,263)
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(9,656)	(4,802)	(119,988)	(159,263)
Net change in fund balance	(12,310)	(4,675)	(118,307)	(12,687)
Fund balances, beginning of year	13,922	6,553	122,722	338,733
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	<u>\$ 1,612</u>	<u>\$ 1,878</u>	<u>\$ 4,415</u>	<u>\$ 326,046</u>

<u>District Court Records</u>	<u>Courthouse Security</u>	<u>Court Reporter Service</u>	<u>Lateral Roads</u>	<u>Vehicle Fund</u>	<u>Child Abuse Prevention</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	27,335	-	-
18,834	42,218	5,745	-	-	71
1,164	3,951	1,392	618	322	15
-	-	-	-	-	-
<u>19,998</u>	<u>46,169</u>	<u>7,137</u>	<u>27,953</u>	<u>322</u>	<u>86</u>
-	-	-	-	-	-
13,042	1,988	-	-	-	-
-	-	15,872	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	16,641	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>13,042</u>	<u>18,629</u>	<u>15,872</u>	<u>-</u>	<u>-</u>	<u>-</u>
6,956	27,540	(8,735)	27,953	322	86
-	-	-	-	-	-
-	(170,756)	(54,755)	(1,268)	(10,000)	(3)
-	(170,756)	(54,755)	(1,268)	(10,000)	(3)
6,956	(143,216)	(63,490)	26,685	(9,678)	83
<u>51,682</u>	<u>202,200</u>	<u>79,505</u>	<u>29,953</u>	<u>23,409</u>	<u>764</u>
<u>\$ 58,638</u>	<u>\$ 58,984</u>	<u>\$ 16,015</u>	<u>\$ 56,638</u>	<u>\$ 13,731</u>	<u>\$ 847</u>

Reeves County, Texas
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Continued
For the Year Ended December 31, 2019

	<u>Justice Court Technology</u>	<u>Madera Valley Water</u>	<u>Juvenile Probation</u>	<u>Drug Task Force</u>
REVENUES				
Fines and forfeitures	\$ 30,328	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Interest	930	-	1,410	20
Other	-	29,601	1,905	-
	<u>31,258</u>	<u>29,601</u>	<u>3,315</u>	<u>20</u>
Total revenues	31,258	29,601	3,315	20
EXPENDITURES				
Current:				
General government	-	16,398	-	-
Judicial	13,403	-	-	-
Corrections	-	-	218,595	-
Law enforcement	-	-	-	-
Health and welfare	-	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<u>13,403</u>	<u>16,398</u>	<u>218,595</u>	<u>-</u>
Total expenditures	13,403	16,398	218,595	-
Excess (deficiency) of revenues over (under) expenditures	17,855	13,203	(215,280)	20
OTHER FINANCING SOURCES (USES)				
Transfers in	-	35,000	291,627	-
Transfers out	(23,749)	-	(25,069)	(78)
	<u>(23,749)</u>	<u>35,000</u>	<u>266,558</u>	<u>(78)</u>
Total other financing sources (uses)	(23,749)	35,000	266,558	(78)
Net change in fund balance	(5,894)	48,203	51,278	(58)
Fund balances, beginning of year	<u>38,825</u>	<u>(46,327)</u>	<u>95,212</u>	<u>968</u>
FUND BALANCES, END OF YEAR	<u><u>\$ 32,931</u></u>	<u><u>\$ 1,876</u></u>	<u><u>\$ 146,490</u></u>	<u><u>\$ 910</u></u>

State Aid	Forfeiture Fund	Law Enforcement Program	Foster Care Program	Housing Rehabilitation
\$ -	\$ 371,990	\$ -	\$ -	\$ -
182,659	-	-	-	-
-	-	-	-	-
1,531	1,848	519	3,090	8
-	8,308	4,737	-	-
184,190	382,146	5,256	3,090	8
-	-	-	-	-
91,330	-	-	-	-
118,933	-	-	-	-
-	156,996	4,131	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
210,263	156,996	4,131	-	-
(26,073)	225,150	1,125	3,090	8
9,000	14	-	-	-
-	(668)	-	(161,948)	(8)
9,000	(654)	-	(161,948)	(8)
(17,073)	224,496	1,125	(158,858)	-
69,132	40,336	24,220	159,640	-
\$ 52,059	\$ 264,832	\$ 25,345	\$ 782	\$ -

Reeves County, Texas
Special Revenue Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances – Continued
For the Year Ended December 31, 2019

	<u>911 Planning</u>	<u>Pecos Senior Center Title III B</u>	<u>Federal Forfeiture Fund ZERO18</u>	<u>District Clerk Justice/Tech</u>
REVENUES				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Intergovernmental	9,928	-	-	-
Charges for services	-	-	-	3,909
Interest	894	-	16,917	257
Other	-	-	3,684	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	10,822	-	20,601	4,166
EXPENDITURES				
Current:				
General government	-	-	-	-
Judicial	-	-	-	-
Corrections	-	-	-	-
Law enforcement	-	-	-	-
Health and welfare	4,553	-	-	-
Public service	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	4,553	-	-	-
Excess (deficiency) of revenues over (under) expenditures	6,269	-	20,601	4,166
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	6,269	-	20,601	4,166
Fund balances, beginning of year	20,247	(998)	-	11,526
	<hr/>	<hr/>	<hr/>	<hr/>
FUND BALANCES, END OF YEAR	<u>\$ 26,516</u>	<u>\$ (998)</u>	<u>\$ 20,601</u>	<u>\$ 15,692</u>

Venue Project	Meals on Wheels	Inmate Transportation	Total
\$ -	\$ -	\$ -	\$ 402,318
-	-	-	219,922
1,240,484	-	-	1,556,806
28,176	233	506	72,792
38,625	84,633	-	413,708
1,307,285	84,866	506	2,665,546
137,317	-	-	153,715
-	-	-	467,889
-	15,475	-	368,875
-	-	-	161,127
-	-	-	4,553
53,186	136,938	-	193,019
425,079	-	-	441,720
125,000	-	-	125,000
116,837	-	-	116,837
857,419	152,413	-	2,032,735
449,866	(67,547)	506	632,811
453	56,486	-	392,580
-	-	(21,712)	(763,723)
453	56,486	(21,712)	(371,143)
450,319	(11,061)	(21,206)	261,668
1,448,183	16,338	23,794	2,770,539
<u>\$ 1,898,502</u>	<u>\$ 5,277</u>	<u>\$ 2,588</u>	<u>\$ 3,032,207</u>

Reeves County, Texas
 Agency Funds
 Combining Statement of Assets and Liabilities
 December 31, 2019

	Ad Valorem Tax Fund	Vehicle Inventory Tax Fund	Vehicle Sales Tax Fund	Tax Assessor's Fund
ASSETS				
Cash and cash equivalents	\$ 23,128,414	\$ 79,005	\$ 138,998	\$ 101,399
Investments	-	-	-	-
TOTAL ASSETS	<u>\$ 23,128,414</u>	<u>\$ 79,005</u>	<u>\$ 138,998</u>	<u>\$ 101,399</u>
LIABILITIES				
Due to other governments	\$ 17,968,776	\$ 79,005	\$ 138,998	\$ 101,399
Due to primary government	5,159,638	-	-	-
Due to beneficiaries	-	-	-	-
TOTAL LIABILITIES	<u>\$ 23,128,414</u>	<u>\$ 79,005</u>	<u>\$ 138,998</u>	<u>\$ 101,399</u>

BOP Inmate Trust Fund	District Clerk's Court Fund	County Clerk Cash Bond Fund
\$ 177,419 -	\$ 5,260,747 26,634,207	\$ 194,280 -
<u>\$ 177,419</u>	<u>\$ 31,894,954</u>	<u>\$ 194,280</u>
\$ 177,419 - -	\$ - - 31,894,954	\$ 194,280 - -
<u>\$ 177,419</u>	<u>\$ 31,894,954</u>	<u>\$ 194,280</u>

Reeves County, Texas

Agency Funds

Combining Statement of Assets and Liabilities – Continued

December 31, 2019

	<u>Seizure Account</u>	<u>County Attorney Hot Check Fund</u>	<u>RCDC Trust Account</u>	<u>Business Escrow</u>
ASSETS				
Cash and cash equivalents	\$ 124,022	\$ 2,312	\$ 1,010,209	\$ 206,241
Investments	-	-	-	-
TOTAL ASSETS	<u>\$ 124,022</u>	<u>\$ 2,312</u>	<u>\$ 1,010,209</u>	<u>\$ 206,241</u>
LIABILITIES				
Due to other governments	\$ 124,022	\$ 2,312	\$ -	\$ -
Due to primary government	-	-	-	-
Due to beneficiaries	-	-	1,010,209	206,241
TOTAL LIABILITIES	<u>\$ 124,022</u>	<u>\$ 2,312</u>	<u>\$ 1,010,209</u>	<u>\$ 206,241</u>

<u>Treasurer's Court Fund</u>	<u>Treasurer's Special Fund</u>	<u>Other Agency Funds</u>	<u>Total</u>
\$ 325,644	\$ -	\$ 1,998,554	\$ 32,747,244
-	287,772	-	26,921,979
<u>\$ 325,644</u>	<u>\$ 287,772</u>	<u>\$ 1,998,554</u>	<u>\$ 59,669,223</u>
\$ 325,644	\$ 287,772	\$ -	\$ 19,399,627
-	-	-	5,159,638
-	-	1,998,554	35,109,958
<u>\$ 325,644</u>	<u>\$ 287,772</u>	<u>\$ 1,998,554</u>	<u>\$ 59,669,223</u>

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Internal Control and Compliance

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**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 *Governmental Auditing Standards***

To Honorable County Judge and
Commissioners Court of Reeves County
Reeves 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, the business-type activities, each major fund, and the aggregate remaining fund information of Reeves County, Texas (the County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 13, 2020.

We were not provided with information regarding the County's cost of post-employment benefits other than retirement benefits, and were not able to satisfy ourselves about the existence, completeness, obligation, valuation, or accuracy of such costs and obligation by means of other auditing procedures. Our opinion on the governmental activities, the business-type activities, and proprietary funds financial statements was qualified, for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain information regarding the County's cost of post-employment benefits other than retirement benefits.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's 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 were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, (items 2019-001, 2019-002, 2019-003, and 2019-004).

To Honorable County Judge and
Commissioners Court of Reeves County

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as (Item 2019-005).

Reeves County, Texas' Response to Findings

The County's response to the findings identified in our audit is described in the accompanying schedules of findings and responses. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Midland, Texas
October 13, 2020

Reeves County, Texas

Schedule of Findings and Responses
For the Year Ended December 31, 2019

Section 1. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

Material Weaknesses in Internal Control over Financial Reporting

Finding – 2019-001

Criteria: In order to be reported in accordance with generally accepted accounting principles (GAAP) the County's government fund records should be reported on a modified accrual basis and should agree with or reconcile to the audited fund financials statements.

Condition: The County maintains their accounting records primarily on a cash basis. The County contracted with a consulting team to assist with the cash to accrual conversion project which focused on cash to GAAP adjustments, capital asset subledger reconciliation, transfer accounts, bond rollforward and fund balance. Based on information provided, the consulting team proposed 38 adjustments to these areas prior to the start of the year-end audit. The audit team proposed an additional 8 entries to transfers, cash, revenue, deferred revenue, and long-term liability along with capital asset balances for proprietary funds. The audit team prepared the year-end financial statements including the fund to government wide conversion.

Cause: The County has limited personnel, maintains a cash basis general ledger, and does not reconcile their opening balances to the audited financial statements.

Effect: The County's general ledger system (i.e., beginning fund balance) did not agree with the audited financial statements, multiple conversion entries were necessary to convert from cash basis to modified accrual basis, and multiple entries, were proposed by auditors.

Recommendation: County records should be adjusted to a modified accrual basis and should agree with or be reconcilable with the audited fund financial statements. The County should consider reviewing and recalculating various adjustments prepared by consultants and auditors needed to roll forward balances, and monitor their financial activity.

Views of Responsible Officials: The County is converting to a new financial software platform in 2020. This new system, Incode from Tyler Technologies, will be a fully integrated accrual basis accounting system. The County's current financial software, EDOC, is cash basis only.

Finding – 2019-002

Criteria: The County should maintain proper segregation of duties to ensure adequate internal controls over financial processes and reporting.

Condition: The County relied heavily on the County Auditor with little segregation of duties or design of proper controls, including those controls related to receipts, deposits, revenue warrant registration, wire transfers, and bank reconciliations. The County Auditor was replaced with an Interim County Auditor in 2019.

Cause: The County has heavily relied on the County Auditor for accounting operations.

Effect: Inadequate segregation of duties and lack of adequate controls including the lack of documentation of controls or reviews performed make the County's books and records susceptible to material misstatements that may not be timely detected, prevented or corrected.

Reeves County, Texas

Schedule of Findings and Responses – Continued
For the Year Ended December 31, 2019

Recommendation: The County should properly segregate duties and document controls and reviews.

Views of Responsible Officials: The Treasurer's office currently handles day to day bank deposits, receipting, revenue warrants, bank transfers, and bank wires. As of September 2020, the Treasurer's office is completing some of the Bank Reconciliations. We expect full transition of bank reconciliation to occur in 2021.

Finding – 2019-003

Criteria: In order to be reported in accordance with GASB 75 the County should obtain information to estimate the liability and expenses for other post-employment benefits.

Condition: The County did not obtain information for other post-employment benefits in order to determine the amounts that would have been reflected as additional liabilities and expenses for governmental activities, business type activities, or the law enforcement fund.

Cause: The County did not engage actuaries to estimate other post-employment benefits.

Effect: The County is unable to provide information about the cost of post-employment benefits other than retirement benefits.

Recommendation: The County should engage actuaries to estimate other post-employment benefits and record estimated liabilities and expenses in accordance with GASB 75.

Views of Responsible Officials: The County auditor is working to correct this issue in 2020.

Finding – 2019-004

Criteria: The County's server, software and computers should be protected to ensure financial data is secure. The County also lacks policies and procedures to ensure users are aware of their respective responsibilities concerning various security objectives.

Condition: All auditing department employees have access to the server and server is not environmentally protected to guard the financial reporting software server from fire and regulated temperature. There is a lack of testing related to recovery procedures of the backup of data. There is no evidence that an employee needs administrator rights to download software to individual terminals. Employees are not required to change their passwords and computers do not lock after a period of idle time.

Cause: There is no formal security policy in place related to information technology for the County.

Effect: Financial reporting information is subject to loss of current data, exposure to viruses and other malicious programs through their terminals, and unauthorized access and manipulation of data.

Recommendation: A formal security policy should be put in place related to Information Technology for the County.

Views of Responsible Officials: In early 2019, the County installed a central server in the courthouse basement. The County was not able to move the EDOC server, located on the 3rd floor, to the central server due to limitations of the EDOC program. The Incode system, scheduled to be implemented in 2020, will be hosted on the central server.

Reeves County, Texas

Schedule of Findings and Responses – Continued
For the Year Ended December 31, 2019

Compliance

Finding – 2019-005

Criteria: State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities that have a market value of not less than the principal amount of deposits.

Condition: The County's total bank balance was under pledged by \$16,155,677.

Cause: The irrevocable standby letter of credit was not sufficient to cover bank balance.

Effect: The County is not in compliance with state statutes which could cause the County to lose the unsecured portion of its cash balances should the bank foreclose.

Recommendation: The County should increase its irrevocable standby letter of credit to cover total bank balance.

Views of Responsible Officials: The County auditor is working to correct this issue in 2020.

Reeves County, Texas

Schedule of Findings and Responses – Continued
For the Year Ended December 31, 2019

Section 2. Schedule of Prior Audit Findings and Responses

Material Weaknesses in Internal Control over Financial Reporting

Finding – 2018-001

Criteria: In order to be reported in accordance with generally accepted accounting principles (GAAP) the County's government fund records should be reported on a modified accrual basis and should agree with or reconcile to the audited fund financials statements.

Recommendation: County records should be adjusted to a modified accrual basis and should agree with or be reconcilable with the audited fund financial statements. The County should consider reviewing and recalculating various adjustments prepared by consultants and auditors needed to roll forward balances, and monitor their financial activity.

Corrective Action Taken: Although progress was made in this area, this audit finding continues to be an issue in 2019. See current year 2019-001.

Finding – 2018-002

Criteria: The County should maintain proper segregation of duties to ensure adequate internal controls over financial processes and reporting.

Recommendation: The County should properly segregate duties and document controls and reviews.

Corrective Action Taken: Although progress was made in this area, this audit finding continues to be an issue in 2019. See current year 2019-002.

Finding – 2018-003

Criteria: In order to be reported in accordance with GASB 75 the County should obtain information to estimate the liability and expenses for other post-employment benefits.

Recommendation: The County should engage actuaries to estimate other post-employment benefits and record estimated liabilities and expenses in accordance with GASB 75.

Corrective Action Taken: Although progress was made in this area, this audit finding continues to be an issue in 2019. See current year 2019-003.

Finding – 2018-004

Criteria: The County's server, software and computers should be protected to ensure financial data is secure. The County also lacks policies and procedures to ensure users are aware of their respective responsibilities concerning various security objectives.

Recommendation: A formal security policy should be put in place related to Information Technology for the County.

Corrective Action Taken: Although progress was made in this area, this audit finding continues to be an issue in 2019. See current year 2019-004.

Reeves County, Texas

Schedule of Findings and Responses – Continued
For the Year Ended December 31, 2019

Compliance

Finding – 2018-005

Criteria: State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities that have a market value of not less than the principal amount of deposits.

Recommendation: The County should increase its irrevocable standby letter of credit to cover total bank balance.

Corrective Action Taken: Although progress was made in this area, this audit finding continues to be an issue in 2019. See current year 2019-005.

Finding – 2018-006

Criteria: State statutes require the County to ensure compliance with the Public Funds Investment Act (PFIA), including reporting and annual review of the policy.

Recommendation: The County should properly document the annual review of the investment policy and the reviews and approvals of each quarter's investment report.

Views of Responsible Officials: The County revised its investment policy in 2019. The County also began preparing quarterly investments reports, in compliance with PFIA, beginning the second quarter of 2019. The County no longer has this finding.