

JEFF DAVIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2020



SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

JEFF DAVIS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2020

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable County Judge, Members of the Commissioners Court and Citizens of
Jeff Davis County, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jeff Davis County, Texas (the "County") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jeff Davis County, Texas as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparisons of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section (preceding the basic financial statements) and the pension related schedules (following the notes to the financial statements) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

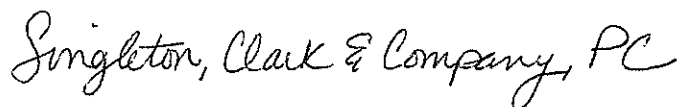
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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.



Singleton, Clark & Company, PC
Cedar Park, Texas

March 1, 2022

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JEFF DAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

As management of Jeff Davis County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2020. Please read it in conjunction with the independent auditor's report on page 1 and the County's basic financial statements which follow this section.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$6,779,128 (net position). Of this amount, \$4,371,301 represents unrestricted net position, which may be used to meet the County's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the County's governmental funds reported combined fund balances of \$3,841,405, an increase of \$238,804 in comparison with the prior year. Approximately 68% of this amount, or \$2,596,502 is available for spending at the County's discretion (unassigned fund balance). During the year the County applied prior period adjustments to certain account balances as described in Note-14.
- At the end of the current fiscal year, unrestricted fund balance (the total of the assigned and unassigned components of fund balance) for the General Fund was \$2,596,502, or approximately 115% of total General Fund current year expenditures before transfers.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support 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.

The *statement of net position* presents financial information on all of the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, judicial, highways and streets, public facilities, health and welfare, culture and recreation, and conservation and development. The County currently does not have any business-type activities.

JEFF DAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 two categories: governmental funds and fiduciary funds.

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

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

The County maintains sixteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Road & Bridge Fund, and the Hotel-Motel Tax Fund, which are considered to be major funds. Data from the other thirteen 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 in the combining and individual fund statements and schedules section of this report.

The County adopts an annual appropriated budget for its General Fund. A budgetary comparison statement for the General Fund has been provided within the basic financial statements section of this report.

Proprietary Funds. The County has the option of maintaining 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 does not currently utilize an enterprise fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among a County's functions. Because the services provided by internal service funds predominantly benefit governmental rather than business-type functions, they are usually included within *governmental activities* in the government-wide financial statements. The County is not currently utilizing an internal service fund.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County maintains one type of fiduciary funds. The *custodial funds* reports resources held by the County in a custodial capacity for County offices, and other governments.

JEFF DAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the County's participation in the Texas County and District Retirement System (TCDRS) for its employees. The required supplementary information can be found immediately following the notes section of this report.

Combining and Individual Fund Financial Statements and Schedules. Other schedules supporting the basic financial statements are presented here, such as combining schedules of individual non-major governmental funds and custodial funds.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial health. In the case of the County, assets exceeded liabilities by \$6,779,128 at the close of the most recent fiscal year.

Table I
JEFF DAVIS COUNTY, TEXAS
NET POSITION

	Governmental Activities 2020	Governmental Activities 2019	Change
ASSETS			
Current & Other Assets	\$ 6,452,264	\$ 6,416,488	\$ 35,776
Capital Assets	2,387,069	2,539,028	(151,959)
Total Assets	8,839,333	8,955,516	(116,183)
DEFERRED OUTFLOWS			
Deferred Outflows	99,886	263,162	(163,276)
LIABILITIES			
Current Liabilities	2,022,501	162,806	1,859,695
Long-term Liabilities	31,062	-	31,062
Total Liabilities	2,053,563	162,806	1,890,757
DEFERRED INFLOWS			
Deferred Inflows	106,528	1,470,345	(1,363,817)
NET POSITION			
Net Investment in Capital Assets, net of Related Debt	2,387,069	2,539,028	(151,959)
Restricted	20,758	867,895	(847,137)
Unrestricted	4,371,301	4,178,603	192,698
Total Net Position	\$ 6,779,128	\$ 7,585,526	\$ (806,398)

JEFF DAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Of the total net position, 35% or \$2,387,069 comprises of investment in capital assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The County uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position, \$20,758 or .3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,371,301, or 64%, is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors. At the end of the current fiscal year, the County is able to report positive balances in all reported categories of net position.

The County's overall net position decreased by \$550,916 from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities.

Governmental Activities. During the current fiscal year, net position for governmental activities decreased by \$550,916 from the prior fiscal year for an ending balance of \$6,779,128. The decrease in overall net position of governmental activities is primarily due to expenditures being higher than expected as well as revenue being lower due to the pandemic related decrease in tourism.

JEFF DAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Table II
JEFF DAVIS COUNTY, TEXAS
CHANGES IN NET POSITION

	Governmental Activities 2020	Governmental Activities 2019	Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 290,420	\$ 284,236	\$ 6,184
Operating Grants & Contributions	236,113	483,480	(247,367)
Capital Grants and Contributions	34,775	-	34,775
General Revenues:			
Property Taxes	1,309,601	2,058,693	(749,092)
General Sales and Use Taxes	300,509	326,846	(26,337)
Donations	-	302	(302)
Investment Earnings	20,787	16,345	4,442
Miscellaneous	342,486	406,787	(64,301)
Total Revenue	2,534,691	3,576,689	(1,041,998)
Expenses:			
General Government	1,796,030	1,475,386	320,644
Public Safety	617,046	554,069	62,977
Judicial System	134,462	550,190	(415,728)
Highways and Streets	110,101	561,992	(451,891)
Public Facilities	129,717	97,159	32,558
Health and Welfare	153,367	-	153,367
Culture and Recreation	144,884	6,837	138,047
Total Expenses	3,085,607	3,245,633	(160,026)
Increase (Decrease) in Net Position	(550,916)	331,056	(881,972)
Net Position - Beginning	7,585,526	7,254,470	331,056
Prior period adjustment	(255,482)	-	(255,482)
Net Position - Ending	\$ 6,779,128	\$ 7,585,526	\$ (806,398)

Financial Analysis of Governmental Funds

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

Governmental Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a County's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the County itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Commissioners Court.

JEFF DAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

At December 31, 2020, the County's governmental funds reported combined fund balances of \$3,841,405, an increase of \$238,804 in comparison with the prior year restated fund balance of \$3,602,601. Approximately 68% of this amount, or \$2,596,502 constitutes *unassigned fund balance*, which is available for spending at the County's discretion. The remainder of the fund balance is currently reported as 1) restricted \$20,758 or 2) assigned for various purposes \$1,250,258.

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,596,502. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total General Fund expenditures. The unassigned fund balance of the General Fund represents approximately 115% of total General Fund expenditures.

The fund balance of the County's General Fund increased by \$332,235 during the current fiscal year before transfers out in comparison with the prior year restated fund balance of \$2,264,267. The increase was primarily due to conservative spending. The General Fund transferred out \$15,208 to the Hotel-Motel Tax Fund.

The Road & Bridge Fund, a major governmental fund, had a \$35,056 increase in fund balance during the current fiscal year, which resulted in an overall ending fund balance amount of \$620,306. The increase in fund balance relates to expenditures being less and revenues being slightly higher than anticipated during the year.

The Hotel-Motel Tax Fund, a major governmental fund, had a decrease of \$140,719 in the fund balance during the current fiscal year, to end at \$0 in comparison with the prior year restated fund balance of \$130,556. The decrease in fund balance relates to revenues being less than expenditures during the year due to a pandemic related decrease in tourism.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget. During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations. Generally, the movement of the appropriations between departments was also *not* significant.

JEFF DAVIS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Capital Assets and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental activities as of December 31, 2020, amounts to \$2,387,069 (net of accumulated depreciation). This investment in capital assets includes buildings, machinery, equipment, and vehicles. Additional information on the County's capital assets can be found in the notes to the financial statements section of this report.

	Governmental Activities 2020	Governmental Activities 2019	Change
Construction in Progress	\$ 19,650	\$ 290,845	\$ (271,195)
Buildings	5,190,375	5,573,451	(383,076)
Furniture and Equipment	3,352,737	3,342,537	10,200
Infrastructure	804,618	-	804,618
Total	<u>9,367,380</u>	<u>9,206,833</u>	<u>160,547</u>
Less Accumulated Depreciation	<u>(6,980,311)</u>	<u>(6,667,804)</u>	<u>(312,507)</u>
Capital assets, net of depreciation	<u>\$ 2,387,069</u>	<u>\$ 2,539,029</u>	<u>\$ (151,960)</u>

Long-term Debt. At the end of the current fiscal year, the County had long-term obligations consisting of compensated absences liability.

	Governmental Activities 2020	Governmental Activities 2019	Change
Compensated Absences	\$ 31,062	\$ -	\$ 31,062
Total	<u>\$ 31,062</u>	<u>\$ -</u>	<u>\$ 31,062</u>

Economic Factors and Next Year's Budgets and Rates

The adopted budget for fiscal year 2020-2021 for the County's General Fund is approximately \$2.5 million, which reflects an approximate increase of \$52,000 from the fiscal year 2019-2020 General Fund adopted budget. The County adopted a total tax rate of \$0.78352 for fiscal year 2020-2021.

Requests for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Treasurer's Office, P. O. Box 605, Fort Davis, TX, 79734 or by calling (432) 426-3242.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

JEFF DAVIS COUNTY, TEXAS
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government Governmental Activities
ASSETS	
Cash and Temporary Investments	\$ 3,818,011
Investments	1,627,614
Property Taxes Receivable	721,687
Allowance for Uncollectible Taxes	(144,337)
Accounts Receivable	35,334
Net Pension Asset	404,118
Capital Assets not Being Depreciated:	
Construction in Progress	19,650
Capital Assets, Being Depreciated	
Buildings and Improvements	5,190,375
Infrastructure	804,618
Machinery, Equipment, and Vehicles	3,352,737
Accumulated Depreciation	(6,980,311)
Total Assets	8,839,333
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension Plan Items	99,886
Total Deferred Outflows of Resources	99,886
LIABILITIES	
Accounts Payable	30,884
Accrued Salaries and Wages	2,178
Accrued Expenditures	31,061
Unearned Revenues	1,968,541
Long-Term Liabilities:	
Due in One Year	15,531
Due in More Than One Year	15,531
Total Liabilities	2,053,563
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows - Pension Items	106,528
Total Deferred Inflows of Resources	106,528
NET POSITION	
Net Investment in Capital Assets	2,387,069
Restricted for Other Purposes	20,758
Unrestricted	4,371,301
Total Net Position	\$ 6,779,128

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

JEFF DAVIS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

Functions/Programs:	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 1,796,030	\$ 74,826	\$ 76,174	\$ 34,775	\$ (1,610,255)
Public Safety	617,046	4,384	119,744	-	(492,918)
Judicial System	134,462	90,980	25,223	-	(18,259)
Transportation	110,101	113,123	14,972	-	17,994
Culture and Recreation	129,717	607	-	-	(129,110)
Health and Human Services	153,367	6,500	-	-	(146,867)
Economic Development	144,884	-	-	-	(144,884)
Total Governmental Activities:	\$ 3,085,607	\$ 290,420	\$ 236,113	\$ 34,775	(2,524,299)
General Revenues:					
					1,309,601
					300,509
					20,787
					342,486
					<u>1,973,383</u>
					(550,916)
					<u>7,585,526</u>
					<u>(255,482)</u>
					<u>\$ 6,779,128</u>

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

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FUND BASIS FINANCIAL STATEMENTS

JEFF DAVIS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General Fund	Road & Bridge	Hotel-Motel Tax Fund
ASSETS			
Cash and Temporary Investments	\$ 2,569,022	\$ 625,987	\$ 8,093
Investments	1,627,614	-	-
Property Taxes Receivable	721,687	-	-
Allowance for Uncollectible Taxes	(144,337)	-	-
Accounts Receivable	-	-	18,163
Due from Other funds	18,595	-	-
Total Assets and Deferred Outflows	<u>\$ 4,792,581</u>	<u>\$ 625,987</u>	<u>\$ 26,256</u>
LIABILITIES			
Accounts Payable	\$ 12,237	\$ 5,681	\$ 12,966
Accrued Salaries and Wages	-	-	50
Due to Other Funds	-	-	13,240
Accrued Expenditures	31,061	-	-
Unearned Revenues	1,575,431	-	-
Total Liabilities	<u>1,618,729</u>	<u>5,681</u>	<u>26,256</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Property Taxes	577,350	-	-
Total Deferred Inflows of Resources	<u>577,350</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)			
Restricted for:			
Other Purposes	-	-	-
Assigned for:			
Other Purposes	-	620,306	-
Unassigned	2,596,502	-	-
Total Fund Balances	<u>2,596,502</u>	<u>620,306</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 4,792,581</u>	<u>\$ 625,987</u>	<u>\$ 26,256</u>

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

Total Non-Major Funds	Total Governmental Funds
\$ 614,909	\$ 3,818,011
-	1,627,614
-	721,687
-	(144,337)
17,171	35,334
-	18,595
<u>\$ 632,080</u>	<u>\$ 6,076,904</u>
\$ -	\$ 30,884
2,128	2,178
5,355	18,595
-	31,061
-	1,575,431
<u>7,483</u>	<u>1,658,149</u>
-	577,350
<u>-</u>	<u>577,350</u>
(5,355)	(5,355)
629,952	1,250,258
-	2,596,502
<u>624,597</u>	<u>3,841,405</u>
<u>\$ 632,080</u>	<u>\$ 6,076,904</u>

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JEFF DAVIS COUNTY, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
DECEMBER 31, 2020

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

Total Fund Balances - Governmental Funds		\$ 3,841,405
<p>Capital assets and related accumulated depreciation used in governmental activities are not current financial resources, and therefore not reported in the funds. These are detailed as follows:</p>		
Governmental activities capital assets	\$ 9,367,380	
Less accumulated depreciation	<u>(6,980,311)</u>	2,387,069
<p>Net pension and other post-employment assets or liabilities as well as related deferred inflows and outflows are not reported in the governmental funds, but are reported on the Statement of Net Position. These amounts are detailed as follows:</p>		
Current net pension asset	404,118	
Deferred outflows related to pensions	99,886	
Deferred inflows related to pensions	<u>(106,528)</u>	397,476
<p>Uncollected property taxes are not available to pay for current operations and are therefore not recorded within the fund balance of the governmental funds. These amounts are however recorded in the statement of net position, net of an allowance for uncollectible amounts.</p>		
		184,240
<p>Long-term liabilities, such as bonds and notes payable, are not due and payable in the current period, and therefore not reported as liabilities in the governmental funds. These are detailed as follows:</p>		
Compensated absences		<u>(31,062)</u>
Net Position of Governmental Activities		<u><u>\$ 6,779,128</u></u>

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

JEFF DAVIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General Fund	Road & Bridge	Hotel-Motel Tax Fund
REVENUES			
Property Taxes	\$ 1,926,419	\$ -	\$ -
General Sales and Use Taxes	91,093	-	115,044
Fines, Fees, and Permits	147,623	113,123	-
Rent and Lease Revenue	6,500	-	-
Investment Income	20,506	-	-
Intergovernmental Revenues	74,594	17,828	-
Other Revenue	285,987	2,983	-
Total Revenues	<u>2,552,722</u>	<u>133,934</u>	<u>115,044</u>
EXPENDITURES			
Current:			
General Government	1,600,107	-	-
Public Safety	410,411	-	-
Judicial System	121,522	-	-
Transportation	-	98,878	-
Culture and Recreation	117,011	-	-
Health and Human Services	-	-	-
Economic Development	-	-	130,110
Capital Outlay	-	-	130,698
Total Expenditures	<u>2,249,051</u>	<u>98,878</u>	<u>260,808</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>303,671</u>	<u>35,056</u>	<u>(145,764)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	43,772	-	15,208
Transfers Out	(15,208)	-	-
Total Other Financing Sources (Uses)	<u>28,564</u>	<u>-</u>	<u>15,208</u>
Net Change in Fund Balance	332,235	35,056	(130,556)
Fund Balance - Beginning	3,333,234	585,250	131,885
Prior Period Adjustment	(1,068,967)	-	(1,329)
Fund Balance - Ending	<u>\$ 2,596,502</u>	<u>\$ 620,306</u>	<u>\$ -</u>

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

Total Non-Major Funds	Total Governmental Funds
\$ -	\$ 1,926,419
94,372	300,509
23,174	283,920
-	6,500
281	20,787
178,466	270,888
53,516	342,486
<u>349,809</u>	<u>3,151,509</u>
3,560	1,603,667
132,236	542,647
-	121,522
-	98,878
-	117,011
138,322	138,322
-	130,110
29,850	160,548
<u>303,968</u>	<u>2,912,705</u>
45,841	238,804
-	58,980
(43,772)	(58,980)
<u>(43,772)</u>	<u>-</u>
2,069	238,804
608,772	4,659,141
13,756	(1,056,540)
<u>\$ 624,597</u>	<u>\$ 3,841,405</u>

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JEFF DAVIS COUNTY, TEXAS
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2020

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

Net Change in Fund Balances - Total Governmental Funds \$ 238,804

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. In addition, depreciation expense is only reported on the Statement of Activities.

Expenditures for capitalized assets	\$ 160,548	
Less current year depreciation	<u>(312,507)</u>	(151,959)

Long-term liabilities, such as bonds and notes payable, are not recorded within the governmental funds due to them not representing current liabilities. When principal repayments are made on these obligations, they represent expenditures in the governmental funds and reduce long-term liabilities in the statement of activities.

Change in long-term liabilities for compensated absences		(31,062)
--	--	----------

Revenues in the statements of activities for property taxes are recognized in the period levied, not collected. Therefore the uncollected property taxes of the current period increase the change in net position.		(616,818)
---	--	-----------

Governmental funds report pension and other post-employment benefit contributions as current year expenditures. However, these costs are measured actuarially in the statement of activities. These differences in recognition between the governmental funds and Statement of Activities for these items is as follows:

Current year other post-employment benefits expense		<u>10,119</u>
---	--	---------------

Change in Net Position- Governmental Activities		<u><u>\$ (550,916)</u></u>
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The notes to the financial statements are an integral part of this statement.

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JEFF DAVIS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		General Fund	Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Property Taxes	\$ 2,093,841	\$ 2,093,841	\$ 1,926,419	\$ (167,422)
General Sales and Use Taxes	65,000	65,000	91,093	26,093
Fines, Fees, and Permits	133,650	133,650	147,623	13,973
Rent and Lease Revenue	6,000	6,000	6,500	500
Investment Income	15,400	15,400	20,506	5,106
Intergovernmental Revenues	59,033	63,700	74,594	10,894
Other Revenue	116,770	116,770	285,987	169,217
Total Revenues	2,489,694	2,494,361	2,552,722	58,361
EXPENDITURES				
Current:				
General Government	1,659,216	1,679,168	1,600,107	79,061
Public Safety	457,019	457,019	410,411	46,608
Judicial System	134,055	130,781	121,522	9,259
Public Facilities	165,719	165,719	117,011	48,708
Total Expenditures	2,416,009	2,432,687	2,249,051	183,636
Excess (Deficiency) of Revenue Over Expenditures	73,685	61,674	303,671	241,997
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	43,772	43,772
Transfers Out	-	-	(15,208)	(15,208)
Total Other Financing Sources (Uses)	-	-	28,564	28,564
Net Change in Fund Balance	73,685	61,674	332,235	270,561
Fund Balance - Beginning	3,333,234	3,333,234	3,333,234	-
Prior Period Adjustment	-	-	(1,068,967)	1,068,967
Fund Balance - Ending	\$ 3,406,919	\$ 3,394,908	\$ 2,596,502	\$ (798,406)

JEFF DAVIS COUNTY, TEXAS
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Fiduciary Funds
	Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 575,815
Total Assets	575,815
 LIABILITIES	
Restricted for Remittance to County	575,815
Total Liabilities	\$ 575,815

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

JEFF DAVIS COUNTY, TEXAS
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Fiduciary Funds
	Custodial Funds
ADDITIONS	
Collections:	
Collections for District/County Clerk Services	\$ 7,503
Collections for Taxes and Fees	4,770,285
Total Additions	4,777,788
DEDUCTIONS	
Remittance to County Treasurer	577,033
Remittance to Taxing Authorities	4,466,990
Total Deductions	5,044,023
Change in Net Position	(266,235)
Net Position - Beginning	842,050
Net Position - Ending	\$ 575,815

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

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NOTES TO THE FINANCIAL STATEMENTS

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JEFF DAVIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE-1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of government-wide financial statements

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 of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

Jeff Davis County, Texas (the “County”) is the primary government and is governed by an elected county judge and four-member Commissioners Court (the “Court”). The accompanying financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. Based on these criteria, no blended or discretely presented component units have been included within the financial statements of Jeff Davis County.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the County’s enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Basis of presentation – fund financial statements

The fund financial statements provide information about the County’s funds, including its fiduciary funds and blended component units. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

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

The Road & Bridge Fund is the County’s special revenue fund that is used to account for resources used by the County in connection with providing transportation services to its citizens. This fund met the criteria to be considered a major fund this year.

JEFF DAVIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

The Hotel-Motel Tax Fund is the County's special revenue fund that is used to account for resources used by the County in connection with collecting occupancy taxes from the local hotels and motels. This fund met the criteria to be considered a major fund this year.

Additionally, the County reports the following fund types:

Special revenue funds account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted or committed to expenditures for specified purposes.

The Fiduciary Funds account for funds collected and held by the County departments on behalf of others that have yet to be remitted to those other individuals or the County Treasurer for County purposes.

During the course of operations the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

JEFF DAVIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the County.

Custodial funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

Budgetary information

Budgetary basis of accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Commissioners Court. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Excess of expenditures over appropriations

For the year ended December 31, 2020, expenditures exceeded appropriations in General Fund Transfers Out to the Hotel-Motel Tax Fund.

JEFF DAVIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. Cash and cash equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the County are reported at fair value (generally based on quoted market prices) except for positions in Local Government Investment Pools when applicable. In accordance with state law, these investment pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

3. Inventories and prepaid items

The County does not report inventories of supplies for consumable items due to the unused amount of these items being on hand any given time being deemed immaterial. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of more than one year.

As the County constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings	40
Machinery and Equipment	7-15
Vehicles	6
Improvements	20
Infrastructure	20

JEFF DAVIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

5. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Net position flow assumption

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund balance flow assumptions

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the County’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County’s highest level of decision-making authority. The Commissioners Court is the highest level of decision-making authority for the County that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The court has by resolution authorized the County Judge to assign fund balance. The Commissioners Court may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

JEFF DAVIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The County levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll of January 1, 2019, upon which the levy for the 2019-2020 fiscal year was based, was \$275,082,732. Taxes are delinquent if not paid by February 1st of the following calendar year. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended December 31, 2020, to finance General Fund and Road & Bridge Fund operations for a total tax rate of \$0.75062 per \$100 valuation. The total tax levy for the General Fund for the 2019-2020 fiscal year was \$2,064,826. Tax collections, including collections of prior year delinquent balances, for the year ended December 31, 2020, were approximately 76% of the year end adjusted tax levy. Allowances for uncollectible taxes within the General Fund is based on historical experience in collecting taxes.

3. Compensated absences

Vacation

The County's policy permits employees to accumulate earned, but unused, vacation benefits which are eligible for payment upon separation from County service (subject to the following: maximum of 105 hours part time/120 hours full time of sick leave *provided a minimum of 10 years of employee service to the County*). The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Compensatory Leave

The County's policy permits employees to accumulate earned, but unused, compensatory leave which is eligible for payment upon separation from County service. Compensatory time is granted at the rate of one and one half hours of time off for every hour of overtime worked. There is no limitation as to how many hours can be carried forward. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

JEFF DAVIS COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

4. Pensions

For purposes of measuring the net pension liability, the economic resources measurement focus and full accrual basis of accounting have been used. This includes deferred inflows and outflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from the net position of the pension plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE-2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of legal or contractual provisions

For the year ended December 31, 2020, there were no known violations of legal and contractual provisions.

B. Deficit fund equity

For the year ended December 31, 2020, there was one fund reported with deficit fund equity; Body Armor Grant Fund (\$5,355).

NOTE-3 CASH AND INVESTMENTS

Cash deposits with financial institutions

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. However, as of December 31, 2020, and as of the highest cash balance during the year, the County's bank balance was covered by the Federal Deposit Insurance Corporation (FDIC) and pledged securities.

Investments

As of December 31, 2020, the County had the following investments:

Investment Type	Maturity Time in Years				Totals
	Less than 1	1-5	6-10	More Than 10	
Certificates of Deposit	\$ 1,627,615	\$ -	\$ -	\$ -	\$ 1,627,615
Total Investments	\$ 1,627,615	\$ -	\$ -	\$ -	\$ 1,627,615

JEFF DAVIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE-4 RECEIVABLES

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. Below is a detail of receivables for the major and nonmajor funds of the governmental funds of the County, including the applicable allowances for uncollectible accounts:

Governmental Funds:

Receivables	General Fund	Road & Bridge	Hotel-Motel Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Property Taxes	\$ 721,687	\$ -	\$ -	\$ -	\$ 721,687
Accounts Receivable	-	-	18,163	17,171	35,334
Gross receivables	721,687	-	18,163	17,171	757,021
Allowance for Uncoll.	(144,337)	-	-	-	(144,337)
Net receivables	<u>\$ 577,350</u>	<u>\$ -</u>	<u>\$ 18,163</u>	<u>\$ 17,171</u>	<u>\$ 612,684</u>

NOTE-5 CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020,, was as follows:

	Balance 1/1/20	Increases	Decreases	Adjustments	Balance 12/31/20
Capital assets, not being depreciated:					
Construction-in-progress	\$ 290,845	\$ 150,348	\$ -	\$ (421,543)	\$ 19,650
Total capital assets, not being depreciated	<u>290,845</u>	<u>150,348</u>	<u>-</u>	<u>(421,543)</u>	<u>19,650</u>
Capital assets, being depreciated:					
Buildings and improvements	4,768,832	-	-	421,543	5,190,375
Infrastructure	804,618	-	-	-	804,618
Machinery and equipment	3,342,537	10,200	-	-	3,352,737
Total capital assets, being depreciated	<u>8,915,987</u>	<u>10,200</u>	<u>-</u>	<u>421,543</u>	<u>9,347,730</u>
Less accumulated depreciation for:					
Buildings and improvements	(3,951,660)	(35,011)	-	-	(3,986,671)
Machinery and equipment	(293,812)	(33,535)	-	-	(327,347)
Infrastructure	(2,422,332)	(243,961)	-	-	(2,666,293)
Total accumulated depreciation	<u>(6,667,804)</u>	<u>(312,507)</u>	<u>-</u>	<u>-</u>	<u>(6,980,311)</u>
Total capital assets being depreciated, net	<u>2,248,183</u>	<u>(302,307)</u>	<u>-</u>	<u>421,543</u>	<u>2,367,419</u>
Governmental activities capital assets, net	<u>\$ 2,539,028</u>	<u>\$ (151,959)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,387,069</u>

JEFF DAVIS COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

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

Governmental activities:	
General Government	\$ 182,096
Public Safety	61,617
Judicial System	13,799
Highways and Streets	11,228
Public Facilities	13,287
Public Works	15,706
Health and Welfare	14,774
Total Depreciation Expense - Governmental Activities	\$ 312,507

NOTE-6 PENSION OBLIGATIONS

Texas County & District Retirement System (TCDRS)

Plan Description

- a. Jeff Davis County, Texas participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.
- b. A brief description of benefit terms:
 - 1) All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.
 - 2) The plan provides retirement, disability and survivor benefits.
 - 3) TCERS is a savings-based plan. For the county's plan, 7% of each employee's pay is deposited into his or her TCERS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity.
 - 4) There are no automatic COLAs. Each year, the county may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
 - 5) Benefit terms are established under the TCERS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.
- c. Membership information is shown in the chart below.
- d. The county's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute at a higher rate. The Jeff Davis County, Texas contribution rate is based on the TCERS funding policy adopted by the TCERS Board of Trustees and must conform with the TCERS Act. The employee contribution rates are set by the county and are currently 7%. Contributions to the pension plan from the county for 2019 are shown in the Schedule of Employer Contributions.
- e. The most recent comprehensive annual financial report for TCERS can be found at the following link, www.tcdrs.org.

JEFF DAVIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

Membership Information:

Members	12/31/2018	12/31/2019
Number of inactive employees entitled to but not yet receiving benefits:	28	33
Number of active employees	28	30
Average monthly salary:*	\$ 2,617	\$ 2,790
Average age:*	54.26	52.99
Average length of service in years:*	8.82	7.60
<hr/>		
Inactive Employees (or their Beneficiaries) Receiving Benefits		
Number of benefit recipients:	23	23
Average monthly benefit:	\$ 606	\$ 615

*Averages reported for active employees.

The following are the key assumptions and methods used in this GASB analysis.

Actuarial Assumptions

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal (1)
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight -Line amortization over expected working life
Recognition of assumptions changes or inputs	Straight -Line amortization over expected working life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.75%
Salary Increases	4.90%
Investment Rate of Return	8.1% (Gross of administrative expenses)
Cost-of-Living Adjustments	Cost-of-Living Adjustments for Jeff Davis County are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Jeff Davis County Specific Table
Turnover	Jeff Davis County Specific Table
Mortality	RP-2014 Mortality Table

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

JEFF DAVIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

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

Target Allocations

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return
US Equities	Dow Jones U.S. Total Stock Market Index	14.5%	5.20%
Private Equity	Cambridge Assoc. Global Priv. Eq. & Venture Cap. Index	20.0%	8.20%
Global Equities	MSCI World (net) Index	2.5%	5.50%
Int'l Equities-Developed Mkts	MSCI World Ex USA (net)	7.0%	5.20%
Int'l Equities-Emerging Mkts	MSCI Emerging Markets (net) Index	7.0%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.0%	-0.20%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.0%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.0%	7.16%
Distressed Debt	Cambridge Assoc. Distressed Securities Index	4.0%	6.90%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	3.0%	4.50%
Master Limited Partnerships	Alerian MLP Index	2.0%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.0%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Composite Index	8.0%	2.30%
		100%	

⁽¹⁾ Target asset allocation adopted at the June 2020 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.

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

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

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

Discount Rate

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

JEFF DAVIS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

	Discount Rate (7.1%)	Discount Rate 8.1%	Discount Rate (9.1%)
Total Pension Liability	\$ 3,447,768	\$ 3,135,287	\$ 2,864,845
Fiduciary Net Position	3,539,405	3,539,405	3,539,405
Net Pension Liability/(Asset)	\$ (91,637)	\$ (404,118)	\$ (674,560)

Pension Plan Fiduciary Net Position

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

A detail of the changes in the Net Pension Liability/(Asset) of the County is as follows:

	Total Pension Liability	Fiduciary Net Position	Net Pension Liability/(Asset)
Balances as of December 31, 2018	\$ 2,928,079	\$ 3,091,602	\$ (163,523)
Changes for the year:			
Service cost	112,523	-	112,523
Interest on total pension liability	239,092	-	239,092
Effect of plan changes	-	-	-
Effect of economic/demographic gains/losses	36,837	-	36,837
Effect of assump. changes or inputs	-	-	-
Refund of contributions	(12,716)	(12,716)	-
Benefit payments	(168,528)	(168,528)	-
Administrative expenses	-	(2,697)	2,697
Member contributions	-	62,702	(62,702)
Net investment income	-	507,759	(507,759)
Employer contributions	-	62,702	(62,702)
Other	-	(1,419)	1,419
Balances as of December 31, 2019	\$ 3,135,287	\$ 3,539,405	\$ (404,118)

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

For the year ended December 31, 2020, the County recognized pension expense of \$10,119.

JEFF DAVIS COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

At December 31, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,558	\$ 19,664
Changes of assumptions	-	-
Net Difference between projected and actual investment earnings	-	86,864
Contributions made subsequent to the measurement date	75,328	-
Total	\$ 99,886	\$ 106,528

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense in the pension plan year as follows:

Measurement Year Ended December 31,	Pension Expense Amount
2020	\$ (28,897)
2021	(12,876)
2022	11,748
2023	(51,945)
2024	-
Thereafter	-

NOTE-7 ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at December 31, 2020, were as follows:

Governmental Funds:

	General Fund	Road & Bridge	Hotel-Motel Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
Accounts Payable	\$ 12,237	\$ 5,681	\$ 12,966	\$ -	\$ 30,884
Accrued Liabilities	-	-	50	2,128	2,178
Total	\$ 12,237	\$ 5,681	\$ 13,016	\$ 2,128	\$ 33,062

NOTE-8 RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To reduce its risk exposure in these areas the County is a member of the Texas Association of Counties Risk Pool (the "Risk Pool") for liability, property, and workers' compensation. The Risk Pool is a public entity risk pool and was created based on the general objectives of formulation, developing and administering a program of self-insurance for the membership and obtaining lower costs for coverage. The Risk Pool has the power to establish fees, contributions and methods for establishing rates. Under contract with the Risk Pool, the Association provides for such services as claims administration and management, underwriting, loss control services and training, and financial reporting as its members.

JEFF DAVIS COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

The Pool is governed by a Board of Directors made up of employees or officials of counties, which are members of the Pool. Member counties make contributions to the Pool, and the Pool provides insurance coverage and applicable reinsurance or stop loss coverage. The insurance policies carry various deductibles and aggregate maximum loss totals. The by-laws of the Pool are detailed in a separate document, which can be obtained from the Texas Association of Counties, 1210 San Antonio Street, Austin TX 78701. The County's workers' compensation claim expense for the year ended December 31, 2020 was \$0.

Health Insurance

During the year ended December 31, 2020, employees of Jeff Davis County, Texas were covered by a health insurance plan (the Plan) through the Texas Association of Counties. The County paid premiums of \$1,003.90 per month per employee for health insurance. In addition, the County paid \$22.94 for dental and \$0.56 for life insurance premiums per month per employee. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The total cost to the County for employee health insurance during the year ended December 31, 2020 was \$310,634.09.

NOTE-9 LONG-TERM LIABILITIES

The long-term liabilities of the County is comprised of compensated absences.

Changes in long-term liabilities

Changes in the County's long-term liabilities for the year ended December 31, 2020 are as follows:

Description	Balance 1/1/20	Additions	Deletions	Balance 12/31/20	Due in One Year
Other Long-Term Debt					
Compensated Absences	\$ -	\$ 31,062	\$ -	\$ 31,062	\$ 15,531
Total Other Long-Term Debt	-	31,062	-	31,062	15,531
Gov. Activities Long-term Liabilities	\$ -	\$ 31,062	\$ -	\$ 31,062	\$ 15,531

Accumulated unpaid annual leave is not accrued in governmental funds using the modified accrual basis of accounting, but are reflected in the government-wide Statement of Net Position. At December 31, 2020, accrued employee benefits recorded as long-term liability were for annual vacation pay, holiday pay, and compensated pay and amounted to \$38,280.

NOTE-10 FUND BALANCE

Minimum fund balance policy. It is the policy of this County to maintain at all times an overall Unrestricted Fund Balance (Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance) of not less than three months of regular General Fund operating expenditures, measured based on the most recently completed fiscal year. If it is determined that the County is below this minimum established fund balance level, the governing body will be informed of this condition and take necessary budgetary steps to bring the fund balance level into compliance with this policy through budgetary actions.

JEFF DAVIS COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE-11 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2020 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 18,595
Total General Fund		18,595
Total		\$ 18,595

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several nonmajor governmental funds which the General Fund expects to collect in the subsequent year.

NOTE-12 CONTINGENCIES

The County participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the County’s compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the County anticipates such amounts, if any, will be immaterial.

NOTE-13 SUBSEQUENT EVENTS

The County has evaluated subsequent events through March 1, 2022, the date of the audit report. The County is not aware of any subsequent events that materially affect the financial statements as of that date.

NOTE-14 PRIOR PERIOD ADJUSTMENT

During the year the County applied prior period adjustments to certain account balances as described below:

Description of Prior Period Adjustment	General Fund	Hotel/Motel Tax Fund	Non-Major Governmental Funds	Govt.-Wide Statement of Activities
Remove property taxes receivable recognized at the fund level	\$ (801,058)	\$ -	\$ -	\$ -
Record the effect of prior year accrued payroll	(35,385)	(1,329)	(2,560)	(39,274)
Record the effect of a prior year 60-day sales tax accrual	-	-	16,316	16,316
Remove the custodial funds recorded in the General Fund	(232,524)	-	-	(232,524)
Cumulative Prior Period Adjustments	\$ (1,068,967)	\$ (1,329)	\$ 13,756	\$ (255,482)

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REQUIRED SUPPLEMENTARY INFORMATION

JEFF DAVIS COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED DECEMBER 31, 2020

	Measurement Date					
	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service Cost	\$ 112,523	\$ 114,753	\$ 129,224	\$ 122,114	\$ 98,228	\$ 107,660
Interest on Total Pension Liability	239,091	230,526	214,910	195,573	184,174	172,930
Effect of Plan Changes	-	-	-	-	(11,703)	-
Effect of Assumption Changes or Inputs	-	-	22,033	-	30,127	-
Effect of Economic/Demographic (Gains)/Losses	36,837	(58,992)	6,427	7,013	(20,397)	(53,071)
Benefit Payments/Refunds of Contributions	(181,243)	(175,497)	(155,551)	(155,111)	(130,135)	(57,515)
Net Change in Total Pension Liability	207,208	110,790	217,043	169,589	150,294	170,004
Total Pension Liability, Beginning	2,928,079	2,817,289	2,600,246	2,430,657	2,280,364	2,110,360
Total Pension Liability, Ending (a)	3,135,287	2,928,079	2,817,289	2,600,246	2,430,658	2,280,364
Fiduciary Net Position						
Employer Contributions	62,702	65,427	65,237	71,078	64,197	63,041
Member Contributions	62,702	65,427	65,387	71,078	64,197	63,041
Investment Income Net of Investment Expenses	507,759	(60,545)	412,612	195,523	16,981	187,669
Benefit Payments/Refunds of Contributions	(181,243)	(175,497)	(155,551)	(155,111)	(130,135)	(57,515)
Administrative Expenses	(2,697)	(2,483)	(2,138)	(2,126)	(1,901)	(1,953)
Other	(1,419)	(15,450)	(354)	5,651	(7,725)	(48,104)
Net Change in Fiduciary Net Position	447,804	(123,121)	385,193	186,093	5,614	206,179
Fiduciary Net Position, Beginning	3,091,602	3,214,723	2,829,530	2,643,437	2,637,822	2,431,644
Fiduciary Net Position, Ending (b)	\$ 3,539,406	\$ 3,091,602	\$ 3,214,723	\$ 2,829,530	\$ 2,643,436	\$ 2,637,823
Net Pension Liability/(Asset), Ending = (a) - (b)	\$ (404,119)	\$ (163,523)	\$ (397,434)	\$ (229,284)	\$ (212,778)	\$ (357,459)
Fiduciary Net Position as a % of Total Pension Liab.	112.89%	105.58%	114.11%	108.82%	108.75%	115.68%
Pension Covered Payroll	\$ 895,737	\$ 934,669	\$ 931,961	\$ 1,015,401	\$ 917,097	\$ 900,581
Net Pension Liability as a % of Covered Payroll	-45.12%	-17.50%	-42.64%	-22.58%	-23.20%	-39.69%

JEFF DAVIS COUNTY, TEXAS
 SCHEDULE OF EMPLOYER CONTRIBUTIONS –
 TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
 FOR THE YEAR ENDED DECEMBER 31, 2020

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2011	41,310	56,041	(14,731)	800,584	7.0%
2012	45,573	56,764	(11,191)	810,910	7.0%
2013	45,594	56,891	(11,297)	812,728	7.0%
2014	49,262	63,041	(13,779)	900,581	7.0%
2015	46,038	64,197	(18,159)	917,097	7.0%
2016	46,302	71,078	(24,776)	1,015,401	7.0%
2017	42,125	65,237	(23,112)	931,961	7.0%
2018	41,499	65,427	(23,928)	934,669	7.0%
2019	38,427	62,702	(24,275)	895,737	7.0%
2020	75,328	75,328	-	1,076,110	7.0%

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JEFF DAVIS COUNTY, TEXAS
NONMAJOR GOVERNMENTAL FUND DESCRIPTIONS
DECEMBER 31, 2020

Nonmajor Governmental Funds

Special Revenue Funds

Special revenue funds are used to account for specific revenue sources that are restricted, committed, or assigned to expenditures for particular purposes.

Library and Union Building Fund – to account for the maintenance of the building.

Emergency Services District Fund – to account for the revenue and expenditures of emergency services.

JF Historic Fund – to account for the revenue and expenditures of the historic preservation fund.

Records Management Fund – to account for the revenue and expenditures of providing records services by the District/County Clerk and records management purposes.

Law Library Fund – to account for the fees collected for operating and maintaining the law library.

Courthouse Security Fund – to account for the operating activities related to security purposes for the County courthouse.

Operation Stonegarden Fund – to account for grant and expenses related to enhancing border protection.

Body Armor Grant Fund – to account for grant and expenses related to purchasing body armor.

JAG Grant Fund – to account for grant and expenses related to criminal justice.

TCDP Grant Fund – to account for Cares Act grant and expenses related to community development upgrading living conditions of low and moderate income persons.

County Attorney Hot Check Fund – to account for County Attorney fees and charges for hot check collections.

Ambulance Donations Fund – to account for donations and expenses related to purchasing an ambulance.

Small Grants and Restricted Funds – to account for grants and expenses related to various small grants that are restricted in use.

Other Restricted Funds – to account for revenue and expenses related to funds that have been restricted for specific use.

JEFF DAVIS COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUND
 DECEMBER 31, 2020

	<i>026</i>	<i>030</i>	<i>088</i>	<i>045</i>	<i>035</i>	<i>046</i>
	SPECIAL REVENUE FUNDS					
	Library and Union Building Fund	Emergency Services District	JF Historic Fund	Records Management Fund	Law Library	Courthouse Security Fund
ASSETS						
Cash and Temporary Investments	\$ 80,149	\$ 176,376	\$ 69,373	\$ 120,104	\$ 11,373	\$ 32,024
Accounts Receivable	-	17,171	-	-	-	-
Total Assets and Deferred Outflows	<u>\$ 80,149</u>	<u>\$ 193,547</u>	<u>\$ 69,373</u>	<u>\$ 120,104</u>	<u>\$ 11,373</u>	<u>\$ 32,024</u>
LIABILITIES						
Accrued Salaries and Wages	\$ -	\$ 2,128	\$ -	\$ -	\$ -	\$ -
Due to Other Funds	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>2,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Restricted for:						
Other Purposes	-	-	-	-	-	-
Assigned for:						
Other Purposes	80,149	191,419	69,373	120,104	11,373	32,024
Total Fund Balances	<u>80,149</u>	<u>191,419</u>	<u>69,373</u>	<u>120,104</u>	<u>11,373</u>	<u>32,024</u>
Total Liabilities and Fund Balances	<u>\$ 80,149</u>	<u>\$ 193,547</u>	<u>\$ 69,373</u>	<u>\$ 120,104</u>	<u>\$ 11,373</u>	<u>\$ 32,024</u>

<i>021</i>	<i>038</i>	<i>072</i>	<i>027</i>	<i>083</i>	<i>081</i>	<i>070</i>	
SPECIAL REVENUE FUNDS							
Operation Stonegarden	Body Armor Grant	TCDP Grant	County Attorney Hot Check Fund	Ambulance Donations Fund	Small Grants and Restricted Funds	Other Restricted Funds	Total Non- Major Funds
\$ -	\$ -	\$ 15,125	\$ 1,306	\$ 17,459	\$ 55,156	\$ 36,464	\$ 614,909
-	-	-	-	-	-	-	17,171
\$ -	\$ -	\$ 15,125	\$ 1,306	\$ 17,459	\$ 55,156	\$ 36,464	\$ 632,080
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,128
-	5,355	-	-	-	-	-	5,355
-	5,355	-	-	-	-	-	7,483
-	(5,355)	-	-	-	-	-	(5,355)
-	-	15,125	1,306	17,459	55,156	36,464	629,952
-	(5,355)	15,125	1,306	17,459	55,156	36,464	624,597
\$ -	\$ -	\$ 15,125	\$ 1,306	\$ 17,459	\$ 55,156	\$ 36,464	\$ 632,080

JEFF DAVIS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	026	030	088	045	035	046
	SPECIAL REVENUE FUNDS					
	Library and Union Building Fund	Emergency Services District	JF Historic Fund	Records Management Fund	Law Library	Courthouse Security Fund
REVENUES						
General Sales and Use Taxes	\$ -	\$ 94,372	\$ -	\$ -	\$ -	\$ -
Fines, Fees, and Permits	-	-	-	16,392	595	3,113
Investment Income	-	-	263	-	-	-
Intergovernmental Revenues	-	-	-	-	-	-
Other Revenue	80	52,802	-	-	-	-
Total Revenues	80	147,174	263	16,392	595	3,113
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	138,322	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Total Expenditures	-	138,322	-	-	-	-
Excess (Deficiency) of Revenue Over Expenditures	80	8,852	263	16,392	595	3,113
OTHER FINANCING SOURCES (USES)						
Transfers Out	(21,922)	-	(21,850)	-	-	-
Total Other Financing Sources (Uses)	(21,922)	-	(21,850)	-	-	-
Net Change in Fund Balance	(21,842)	8,852	(21,587)	16,392	595	3,113
Fund Balance-Beginning (restated)	101,991	168,811	90,960	103,712	10,778	28,911
Prior Period Adjustment	-	13,756	-	-	-	-
Fund Balance-Ending	\$ 80,149	\$ 191,419	\$ 69,373	\$ 120,104	\$ 11,373	\$ 32,024

<i>021</i>	<i>038</i>	<i>072</i>	<i>027</i>	<i>083</i>	<i>081</i>	<i>070</i>	
SPECIAL REVENUE FUNDS							
Operation Stonegarden	Body Armor Grant	TCDP Grant	County Attorney Hot Check Fund	Ambulance Donations Fund	Small Grants and Restricted Funds	Other Restricted Funds	Total Non- Major Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94,372
-	-	-	-	-	-	3,074	23,174
-	-	-	-	18	-	-	281
116,887	-	34,775	-	-	26,804	-	178,466
-	-	-	-	-	634	-	53,516
116,887	-	34,775	-	18	27,438	3,074	349,809
-	-	-	-	-	3,560	-	3,560
115,570	15,913	-	-	-	-	753	132,236
-	-	-	-	-	-	-	138,322
-	10,200	19,650	-	-	-	-	29,850
115,570	26,113	19,650	-	-	3,560	753	303,968
1,317	(26,113)	15,125	-	18	23,878	2,321	45,841
-	-	-	-	-	-	-	(43,772)
-	-	-	-	-	-	-	(43,772)
1,317	(26,113)	15,125	-	18	23,878	2,321	2,069
(1,317)	20,758	-	1,306	17,441	31,278	34,143	608,772
-	-	-	-	-	-	-	13,756
\$ -	\$ (5,355)	\$ 15,125	\$ 1,306	\$ 17,459	\$ 55,156	\$ 36,464	\$ 624,597

JEFF DAVIS COUNTY, TEXAS
 COMBINING STATEMENT OF NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2020

	<i>091</i>	<i>050</i>	<i>082</i>
	Custodial Funds		
	District & County Clerk Funds	District & County Clerk Bond Fund	Fire Reimbursement Fund
ASSETS			
Cash and Temporary Investments	\$ 107,956	\$ 24,064	\$ 64,422
Total Assets	<u>\$ 107,956</u>	<u>\$ 24,064</u>	<u>\$ 64,422</u>
NET POSITION (DEFICITS)			
Restricted for Remittance to County	107,956	24,064	64,422
Total Net Position	<u>\$ 107,956</u>	<u>\$ 24,064</u>	<u>\$ 64,422</u>

<i>OB1</i>	<i>OB2</i>	<i>OB3</i>	
<u>Custodial Funds</u>			
<u>Tax Assessor/ Collector - Tax Account</u>	<u>Tax Assessor/ Collector - Registration/ Title</u>	<u>Tax Assessor/ Collector - Voter Registration</u>	<u>Total Custodial Funds</u>
\$ 308,996	\$ 69,920	\$ 457	\$ 575,815
\$ 308,996	\$ 69,920	\$ 457	\$ 575,815
308,996	69,920	457	575,815
\$ 308,996	\$ 69,920	\$ 457	\$ 575,815

JEFF DAVIS COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>091</i>	<i>050</i>	<i>082</i>
	Custodial Funds		
	District & County Clerk Funds	District & County Clerk Bond Fund	Fire Reimbursement Fund
ADDITIONS			
Collections for District/County Clerk Services	\$ 7,503	\$ -	\$ -
Collections for Taxes and Fees	-	-	-
Total Additions	<u>7,503</u>	<u>-</u>	<u>-</u>
DEDUCTIONS			
Remittance to County Treasurer	312,399	-	-
Remittance to Taxing Authorities	-	-	-
Total Deductions	<u>312,399</u>	<u>-</u>	<u>-</u>
Change in Net Position	(304,896)	-	-
Net Position - Beginning	412,852	24,064	64,422
Net Position - Ending	<u>\$ 107,956</u>	<u>\$ 24,064</u>	<u>\$ 64,422</u>

<i>OBI</i>	<i>OB2</i>	<i>OB3</i>	
Custodial Funds			
Tax Assessor/ Collector - Tax Account	Tax Assessor/ Collector - Registration/ Title	Tax Assessor/ Collector - Voter Registration	Total Custodial Funds
\$ -	\$ -	\$ -	\$ 7,503
4,492,148	278,085	52	4,770,285
<u>4,492,148</u>	<u>278,085</u>	<u>52</u>	<u>4,777,788</u>
-	264,634	-	577,033
4,466,990	-	-	4,466,990
<u>4,466,990</u>	<u>264,634</u>	<u>-</u>	<u>5,044,023</u>
25,158	13,451	52	(266,235)
283,838	56,469	405	842,050
<u>\$ 308,996</u>	<u>\$ 69,920</u>	<u>\$ 457</u>	<u>\$ 575,815</u>

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OTHER SUPPLEMENTARY INFORMATION SECTION

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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
GOVERNMENT AUDITING STANDARDS

Honorable County Judge, Members of the Commissioners Court and Citizens of
Jeff Davis 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, each major fund, and the aggregate remaining fund information of Jeff Davis County, Texas (the "County"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 1, 2022.

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.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified a deficiency in internal control that we consider to be a significant deficiency and that has been reported as item 2020-001.

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 did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

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

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

March 1, 2022

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JEFF DAVIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Under the guidelines of the federal Uniform Guidance, a Single Audit was not required for the year ended December 31, 2020 due to expenditures of federal awards being less than \$750,000.

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards:

2020-001 Accounting and Financial Reporting, Including Bank Reconciliations

Criteria:

Counties carry out regular accounting activities on a daily basis to enable them to issue external financial statements after a year-end as required by state law. The financial statements provide information to the public and to state and federal agencies regarding a County’s finances and its financial condition. In addition, counties also rely on internal financial reports to properly monitor ongoing financial and budgetary matters. These internal financial reports are also dependent on the daily accounting functions of the county.

Condition:

As a result of the audit, a significant number of audit adjusting entries were required to be applied to the accounting records of the County in order to prepare them for external financial reporting that adheres to generally accepted accounting principles. In addition, some of the adjustments applied were to make corrections to bank reconciliations which were out of balance and required extensive analysis during the audit to resolve.

Cause:

The cause of this condition is from a lack of regular review of the books of the county on a regular basis, for example monthly, to check back over the previous month for a verification of the accuracy of all posted transactions, any transactions that may have been missed, and preparation of all bank reconciliations.

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JEFF DAVIS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

Findings Related to Financial Statements Which are Required to be Reported in Accordance with Government Auditing Standards: (continued)

2020-001 Accounting and Financial Reporting, Including Bank Reconciliations (continued)

Effect:

Due to the extent of the audit entries, some internal financial reports generated from the accounting system may not have been accurate during the year. In addition, the extent of the entries applied encroaches on the auditor firm's ability to remain independent with respect to the County.

Recommendation:

We recommend that the County Treasurer implement an informal monthly close process to be conducted each month that would perform the following procedures:

- Reconciliation of all bank accounts, including the large operating account of pooled funds
- Verification of the balancing of all Due To/From accounts and Transfers In/Out accounts
- Review of all payroll withholding accounts for expected balances with identified purposes
- Review of all revenue accounts for accurate postings
- Review of all expenditure accounts for accurate postings

In addition, at year-end during preparation of the books of the County for the annual financial audit and subsequent presentation as external financial statements, the County Treasurer should conduct analysis of the following and prepare the needed resulting accounting entries:

- Review for needed Accounts Payable entries to reflect all expenditures incurred as of year-end, but still pending payment
- Review for a needed Accrued Payroll entry, to reflect all salaries and wages earned by employees as of year-end, but still pending processing on a pay run
- Review of needed Accounts Receivable entries, to reflect all revenue earned by the County, but still pending payment

No findings or questioned costs required to be reported in accordance with *Government Auditing Standards* for the year ended and December 31, 2019.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with federal Uniform Guidance:

Not applicable.

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DAWN E. KITTS

County Treasurer
Jeff Davis County

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020

Current Year Audit Findings:

2020-001 Accounting and Financial Reporting, Including Bank Reconciliations

Corrective Action Planned:

We will institute a policy that all bank reconciliations will be completed no later than the 15th of the following month. We will institute a policy that Due To/From accounts and Transfers In/Out accounts will be reviewed monthly prior to month end to ensure accuracy and balancing. We will institute a policy to review all payroll accounts after each pay cycle to verify expected balances. We will institute a policy to review all revenue and expenditure accounts prior to month end to ensure accuracy. We will institute a policy that all Elected Officials and Department Heads will have their own stamp which they will fill out completely on all invoices turned into the Treasurer's Office.

Anticipated Completion Date: July 1, 2022

Contact Person: Dawn Kitts, Treasurer

